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AFRICANISATION OF COMMERCE IN KENYA

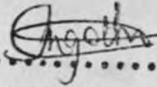
BY

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OF BUSINESS ADMINISTRATION ( M.B.A. ) IN THE UNIVERSITY OF  
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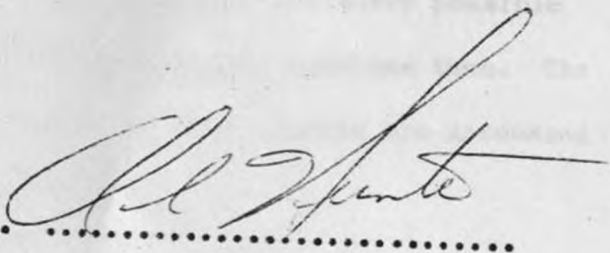
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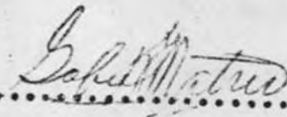
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THIS THESIS HAS BEEN SUBMITTED FOR EXAMINATION WITH OUR APPROVAL  
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A B S T R A C T

This thesis deals with the process of Africanisation (Kenyanisation) of Commerce in Kenya. It concentrates <sup>on</sup> the transfer of the shops and other retail businesses in the country. The Trade Licencing Act of 1967 is discussed and an assessment of its operation and effectiveness made. The transfer of Trade to the hands of local traders is essentially a financial problem in that it calls on the Government to deplore lots of money in order to help up being the New Traders. Businesses are financial Organizations and the traders have to make profit if they have to succeed. Once the Government commits much money on such a project it is only fair that the processes be efficient otherwise the resources will have been misallocated. The thesis analyses the problem facing the African Traders - Financial, lack of practical skills and training, managerial, competition etc, and where possible suggests ways in which they could be helped overcome them. The financial institutions available to these traders are discussed and their effectiveness assessed.

The introductory chapter discusses the historical evolution of the role of Government in business and the major business philosophies in the Western Societies. This is coupled with the historical survey of development of business Sector in Kenya in order to show the role played by the Africans both in colonial and independent Kenya.

The Summary of the findings is a result of survey carried in the major Towns of Kenya viz: Mombasa, Nairobi, Nakuru, Thika and others as from July 1974 to May 1975.

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Finally I dedicate this work to my parents Kariuki and Wanjiku who have devotedly waited for the nineteen years I have been in school.

INTRODUCTIONA NOTE ON KENYA

Kenya is essentially an agricultural Country with more than 95% of the population living in the rural areas and ekeing a living out of subsistence and quasi-commercial farming. The economy is dual in that there is modern sector in the towns, completely different and removed from the Traditional (rural) sector.. In this latter sector Crafts, cottage industry small-scale construction and petty - commerce go side by side with agriculture. This sector lags behind in terms of poor infrastructure, poor Social Services and the general poverty of the population some of whom rarely live beyond starvation line. The commercial undertakings in the rural market centres are not the main sources of income for their owners and are therefore occasionally closed whenever other pressing businesses arise especially picking of the cash crops (coffee, tea, etc). Most of them only keep the provisions required by the rural Community - sugar, paraffin, Tea, Coffee etc and are not expected to make large profits.

This contrasts strikingly with the Modern (Urban) Sector. This sector is sophisticated and market - oriented. There is good infrastructure and other social amenities in this Sector because

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it is found in towns. The Commercial financial, public utilities are capital - intensive and in a large cities like Nairobi they compare closely with those of the Western countries. Some of these are the branches of Multinational Enterprises. The result has therefore been the growth of these Urban Centres at the expense of the rural areas. In the trading sector the traders in towns are availed of more governmental aid than their counterparts in the rural areas. It is also of importance that on average developing countries of which Kenya is one, have only about 20% of their working population in the towns. In a way modernisation has come to mean Urbanization at a high rate which has in turn caused social tensions, environmental burdens unemployment problems and more population in the towns than the Municipal authorities can cater for.

This contrast in the two sectors has resulted in more people (especially the young ones) migrating to the towns where the opportunities, the living standards and the income are higher. Due to the lack of opportunities for all those who go to the towns there has arisen the growth of another "Intermediary Sector" (the informal sector). This sector is halfway from the traditional and modern sector. It is found in the periphery of the large cities, in the backstreets and sells goods of inferior quality which do not meet the required hygeinic standards and these trade places are often closed by the authorities during the time of epidemics (e.g. Cholera)

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These goods include food and drink, metals, woodwork, furniture and services such as repairs. They however, make more money, than the rural people because they cater for the large group of the less affluent members of our urban society. These enterprises are easy to start in that they do not require much capital and this is often raised through employment or partnerships. The little skill required by this sector is gained through a few years contact with the modern sector usually through employment at very low levels (e.g. casual labourers).

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CHAPTER ONE:

THE ROLE OF GOVERNMENT IN BUSINESS

1:1 GENERAL INTRODUCTION

A business organisation is a sub-system of the broader Social-Cultural environment in which it operates. It has influence like any other organisation, on how people live and work together and how they hold their interrelationships. It is from this nature of business that the value issues and morals, under which it operates, and ought to, can be scrutinised.

Government, then is the only institution which has the monopoly of political power and to which all people, groups, and other institutions belong. Business is no exception. Government is the selected guardian of all the values normally coded into laws and regulations, and has taken an increasing role in the participation of the business activities.

This paper centres around this powerful institution known as the Government only in its operation in Business. The scope covers both the philosophical values the business is supposed to observe and the economic functions. I have found it imperative to discuss the traditional business values and ideologies to provide enough ground for locating the point of departure in governmental concern. The concept

of "ROLE THEORY" is indicative of the modern business as the primary mechanism for transformation through accelerating technology of inputs to outputs (products) and services. This has therefore brought about the emergence of "Business Society" and especially in the United States.

The paper attempts to examine some of the philosophies (Social) that have developed from Plato to Keynes. Capitalism, Socialism, Darwinism have been discussed to <sup>show</sup> different forms of Governmental action. Also discussed is the role of Religion in the formation of today's business philosophy.

It has come to a time when the governments can no longer leave alone the businessmen. The need for protection of the consumer, the growth in technology, and the growth of trade between nations, among others has increased government participation. The age of Laissez-Faire ( to be discussed later) is long gone and given way to the age of Social Responsibility, which calls upon the businessmen to be more conscious of the other roles they have to play in the society besides that one of making profit for their firms.

The Government-Business relationship is distinguished by the power held by either group and especially in a capitalist (Free Enterprise) society. The government uses the power it has to preserve the rights of consumers, owners, managers, suppliers, employees, etc each according to the share of the rights.

## 1:2 EVOLUTION OF BUSINESS PHILOSOPHIES

Philosophies, norms, and ethics regulating commercial activities have existed from the earliest period of recorded history. The old Testament is full of examples of commercial activities and with laws and regulations for their governance. The laws of Hammurabi (2000 B.C.) had guidelines for the merchants and the peddlers. Grecian ideology, while accepting the necessity of commercial activity looked at it as distasteful because of the corrupting influence it had on the merchants. The famous Romans had a philosophy which was influenced by that of the Greeks and therefore looked at trade as a means of expanding their social (Empire) goals. The Mediterranean trading cities flourished in pre-Christian environment. Carthage, Tyre, and Rhodes are but a few examples. There were institutions of private property, exchange, money, division and specialisation of labour, crude banking system. There was social distinction based on wealth and the wealthy merchants were highly regarded. Political leadership was dominated by the more successful (the richer) businessmen. Pre-Christian religions were not opposed to business and the churches always served as centres of business transactions. Market places were established next to the Temples. As usual these environmental factors favoured the growth of business in the Mediterranean cities.

## 1:3 GRECIAN BUSINESS PHILOSOPHIES:

Grecian Society was firmly founded on the economic base of agriculture, and this was therefore considered the most productive and

noble of all human endeavours. In their class system the businessmen were reduced to a very ignoble social position and only considered a necessary evil. However, and inspite of these philosophical prohibitions against business and due to lack of self-sufficiency the Greek Merchants traded with their Roman counterparts and they thrived. However these merchants were not allowed to own any property in the Greek City-States and were not allowed to hold any public office and during the wars they were placed in the lowest Military ranks (Infantry rank).

As an outline the Greek philosophers viewed the commerce in the following manner:

1:4 PLATO (427-374 B.C.)

To Plato commercial activity was base. He propounded that in the IDEAL STATE the fulfilment of all mankind's needs were necessary, the most basic of them being food, shelter and clothing in that order. In his famous book the REPUBLIC<sup>1</sup> he recognised the diversity of the skills among people and was ready to admit that there was room for every kind of artisan. Again, in the ideal state no city could be solely self-sufficient and therefore, the merchant class had a duty to transport the merchandise to the city and leave the retailer to sell it at different centres.

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1 PLATO: THE REPUBLIC

However in his LAWS <sup>2</sup> he recommended a rigorous regulation of all the commercial activities which could virtually stifle the trade. He ignored the laws of supply and demand and advocated a condification of laws through legislation in order to control the trade and also the price. Because the traders are ruled by their own desires he argued they are not fit for government. The shopkeepers, he contended, were men not strong enough to be of any use elsewhere.

1:5 ARISTOTLE: (384- 322)

Like his teacher PLATO he was an idealist and in his book POLITICS <sup>3</sup> he discussed usury, interest, money, division of labour and his ideas had great influence on later economic philosophies, because the latter are centred on those very institutions he discussed so thoroughly. Business, he observed performed a very useful role in household management. He too, shared Plato's dislike for commercial activity especially where profit was involved. Goods, he observed should be produced because of their usefulness and not because of their profitability. It was unnatural to produce goods and sell them at a profit. He summarises his argument thus:

2 PLATO

3 ARISTOTLE: POLITICS



"...of the two sort of money-making one, as I have just said is part of household management, the other is retail trade: the former necessary and honourable the latter a kind of exchange which is justly censured for it is unnatural, and a mode by which men gain from one another. The most hated sort, and with the greatest reason, is usury which makes a gain out of money itself and not from the natural use of it"<sup>4</sup>

St. Thomas Aquinas argued on similar lines and stressed that trading was both sinful and contrary to virtue and therefore priests should not take part in it.

#### 1:6 XENOPHON (440-355 B.C.)

This was one supporter of trade. To him commerce increased the state treasury and ought to be encouraged. Merchants paid tax, provided merchandise for consumption and disposed of the surplus. He argued for the encouragement of the traders both alien and citizens.

#### 1:7 ROMAN BUSINESS PHILOSOPHY:

Like the Grecian Society, the Roman Empire had its foundation on agriculture. The Romans were more militant than the Greeks and therefore did not supply enough goods within its BOUNDARIES.

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<sup>4</sup> ARISTOTLE - quoted from Davis and Blomstrom Pg. 26.

The Agricultural output was not enough to serve the population. Therefore, merchants traded with food for the masses and with the luxuries for the Elites, and money for the Military conquests by the rulers. The ruling elite was disdainful of the merchants and traders. Roman society, however, has great legacy for the economic activity. The Roman Jurists evolved for the regulation of the business relations, doctrines which became very important in the future legal doctrines which became very important in the future legal formulations. The society upheld the right of private property and guaranteed the freedom of contract. The Roman Catholic Church, as a legacy, became a major force in shaping the social, economic, and political institutions in Europe.

### 1:8 THE MIDDLE AGES:

The period between the fall of the Roman Empire in the fifth century and the middle of the fifteenth century is considered a period of stagnation.

This period was characterised by class division, political disunity and church dominance. The manorial system of economic ownership was copied from the Roman's LATIFUNDIA SYSTEM. Agricultural activity was based on slavery, but as the shortage of slaves and the cost of keeping them rose the system of serfdom was introduced. Serfs worked for the landlord while at the same time they owned plots. Those not attached to the landlords were

FREEMEN from which class emerged the merchants. This division of people into classes was an accepted norm in the society.

The political patchwork was deterrent to the development of commerce. The towns developed though, and became self-governing, hence independent of the landlords.

The Church was universal and had responsibility for all men's actions both spiritual and temporal. Canon law governed all human activity. The Church itself was the greatest landowner in the Christendom. One historian observed that the church acted as:

".... a governor, a landed proprietor, a rent collector, an imposer of taxes, a material producer, .... a tradesman, a banker, and a mortgage broker, a custodian of morals, .... a compeller of conscience.... all in one"<sup>5</sup>

Church attacked business in as far as it affected the personal relationships and in a way turned men from the search of God. Greed was the root of all evil and this promoted covetousness, need for gain and therefore trade. These end products of the trade prompted Ecclesiastical hostility towards any commercial activity. However, as the economic activity expanded the church's teachings became incompatible with commercial activity. Manorial

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5 JAMES WESTFAKL THOMPSON - ECONOMIC AND SOCIAL HISTORY OF THE MIDDLE AGES: (N.Y. CONTRY COY. 1928)

system fell and the trade rose. Canonist philosophy could not hold in that the profit became an end to be sort and interest was seen as an incentive for lending funds in order to promote trade through credit. Due to the Multiplicity of its roles the church got mixed up in the same environmental pressures and motives as the merchants. Churchmen borrowed money from one another for building churches. Some charged interest and could no longer adhere to the teachings. It was therefore necessary for the church to reformulate the tenets of its teachings and accommodate the realist economic activity. St. Thomas Aquinas led the way in reformulating the doctrine. He considered profit itself as necessary and condemned the use to which the profits were put. Trade was therefore recommended. Profit which was necessary to maintain a family in its station of life was no longer condemned. He argued that loans to buy items of consumption ought to bear no tax while those for commercial purposes could justifiably bear the tax. All in all the church relaxed its hold on the economic activity.

### 1:9 THE RISE OF CAPITALISM:

Capitalistic ethic grew gradually in the western society, as an effect of the church's relaxation of the code of behaviour on the part of its members and the urbanisation of the population and the development of the communities and nations as England, Spain and Portugal. Again the middle ages was characterised by stability, security and universalism and Religious dominance. "Social Equilibrium" existed and everyone knew each others position. Scientific inventions played a great role in the development of capitalism. Steam engine, the use of coal as fuel, the new methods of iron smelting - all leading to Industrial Revolution enhanced the capitalistic ethic.

However, as we shall see in the following section, Religion was the greatest force behind the capitalist ethic.

### 1:10 PROTESTANT ETHIC AND CAPITALISM

Before the sixteenth century the economic activity and the church were two different things. There was no interplay because commerce was considered base. Tawney summarises:

"....Society, like the human body, is an organism composed of different members. Each member has its own function; prayer or defence, or merchandise or tilling the soil"<sup>6</sup>

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6 TAWNEY R.H. - RELIGION AND THE RISE OF CAPITALISM

However, Protestant Reformers like John Calvin encouraged business and established a new theological philosophy. Thus Calvinism became the cornerstone of the new order. This doctrine preached that the key to heaven lay in man's actions while on earth, but some measure of spiritual worthy was to be found in the successful pursuit of the temporal calling. Diligence, industry, thrift, and conservatism were encouraged. Wealth however was to be used for the church support, contributions to charity, philanthropic pursuits and not for lavishness. Individualism was encouraged and one could now struggle and rise to a position of wealth instead of keeping to his old status. Heilbroner observes that:

"Calvinism fostered a new conception of economic life. In the place of the old ideal of social and economic stability, of knowing and keeping one's 'place' it brought respectability to an ideal of struggle, of material improvement, of economic growth" <sup>7</sup>

With the growth of this new spirit the old <sup>da</sup> age that riches exist for man and not man for the riches was shaken. The new "spirit of enterprise" replaced what David Riesman has called "Tradition-Directed society". As the Religious doctrine changed the social attitudes changed with it. Jeremy Bentham the English Philosopher, introduced the doctrine of "Enlightened self-interest" as a basis of the new society. Money became a means to an end in itself.

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7 ROBERT L. HEILBRONER - THE MAKING OF THE ECONOMIC SOCIETY:  
Eaglewood Cliffs N.J. Prentice hall inc.  
1962 Pg. 55.

Calvinism seems to have had its roots from Judaism. In the Judeo Ethic, riches and profits are regarded as the God's blessings. Accumulation of the riches is encouraged by Judaism and the basic virtues are: self-control, hard work, moderation, sobriety, and thrift. One historian - Sombart observes that:

".... Judaism did not reject riches ...(and) ...we have called the Jews the Father of free trade and therefore, of capitalism..."<sup>8</sup>

Not does Calvinism reject riches. Martin Luther was the leader of the protestant Revolution upon which Calvin expanded and laid foundation on his theological analysis. Max Weber<sup>9</sup> has termed this PROTESTANT ETHIC. and considered it the cornerston of the capitalistic ethic foundation. The path to riches, the profit motive, the accumulation of capital were now considered the performance of God's will on earth. According to the Weberian thesis:

"..... Capitalism is indential with the pursuit of profit and forever renewed profit by means of conditions, rational capitalistic enterprise."<sup>10</sup>

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8 WERNER SOMBART - THE QUINSTERSENCE OF CAPITALISM translated by M. EPSTEINT. Fisher Unwin London 1915 Pg. 265 - 266.

9 MAX WEBER - THE PROTESTANT ETHIC AND THE SPIRIT OF CAPITALISM (Translated by PARSON N.Y. 19300)

10 MAX WEBER - THE PROTESTANT ETHIC AND THE SPIRIT OF CAPITALISM (Translated by PARSONS N.Y. 19300 Pg. 13.

He farther defines the economic activity in a capitalistic system as that of expectation of profit. It is operated in terms of balances:

"....the balance of the enterprise in money assets exceeds the capital....." <sup>11</sup>

To Weber the difference between modern day capitalism and that of the ages past is in the spirit of making money. The psychological satisfaction in making money as an end in itself is the stumbling block. Modern capitalism acts as though there is an obligation in making money. The Calvinistic theology accepted money, but qualified it according to the use it was put to. For this modern era Weber has a tinge ASCETICISM. He means that capitalists forgo (sacrifice) many things in order to make more and more money. Calvinists, like Lutherans assigned high value to work and considered labour a universal duty. What rewards one got as a result were God-given. Puritanism became another feature in this new Religious Philosophy. It began as a religious discipline which advocated individualism very rigorously. Beliefs and virtues which were instilled in man were highly commercial, for idle leisure was considered evil. To the puritans the way to salvation was through winning the world. No longer

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11 MAX WEBER - THE PROTESTANT ETHIC AND THE SPIRIT OF CAPITALISM  
(Translated by PARSONS N.Y 193000 Pg. 13)



was the question "What shall it profit a man if he gains the whole world and loses his own soul?" asked. Puritanism emphasized the principle of accumulation, and stressed that man should live for tomorrow; that he plough back profits; that God provides a chance for profit. For John Wesley this was not the case. In one of his sermons he stated:

¶....I fear whenever riches have increased the essence or religion has decreased in the same proportion.¶

He could not hold Calvin's view that by promoting commerce in Geneva work for the poor would be provided and could be combined with loyalty, seriousness, honesty, thrift, and consideration for ones neighbours. In Geneva the economic practice became the starting point from which the capitalist ethic was incorporated into Calvinistic ethic. The Ascetic Protestantism had all characteristics of capitalistic attitude towards life. Systematic division of labour, emphasis upon specialisation, the feeling for advantage and profit, the obligation towards property which ought to be expanded for its own sake. The Christian outlook of this capitalism was only in its taboo on pleasure-seeking and self-glorification

This was the basis of capitalism which grew in the Western world. But there were peculiar reasons to be found in every country for the growth of capitalism in it. It is therefore

necessary to review briefly the growth of capitalism in the greatest capitalist nation - the United States of America.

### 1:11 THE AMERICAN CAPITALISM:

The American nation was founded on a land that was endowed with large, untapped, natural resources. The American revolution coincided with the publication of the WEALTH OF NATIONS by Adam Smith. This provided good atmosphere for the political ideal of freedom, soon after the war with the British Monarch. The American constitution gave guarantees and the <sup>Constitution</sup> that honoured (and still honours) private property and accumulation. The legacy of English Jurisprudence gave access to impartial courts necessary for the formative years. The country was large, wild and underpopulated. There were only Red Indians who did not make much use of the rich resources which became useful later. The communities were isolated due to lack of good communication, therefore development could only be carried on by individual communities separately without the participation of the others. This type of living promoted individualism. The initial capital required was small and the technological breakthrough was a result of free enterprise bringing about rapid imaginative adaptation to these new and changed conditions.

For Americans, there was need to depart from Laissez-Faire in order to establish tariffs and guard the infant industry. In spite of the collapse of the banking system under the Jacksonians, the same grew again, though privately. Also the advent of the civil War brought rise to the industrial War-demand for the war material, food, ammunitions etc. There was quantitative production while efficiency was still very stressed. Also because of the available opportunities the "Get Rich Quick" principle became the guideline. Price discrimination, industrial espionage and sabotage, political bribery, became a feature in the society.

Mercantilist ideals influenced American businessmen, who had come from the European nations operating under the mercantilism. The belief that what was good for the state was also good for the individual left the businessmen pursuing their own ends, which in the end would be for the general good.

## THE ROLE OF THE STATE IN BUSINESS

### 1:12 INTRODUCTION:

The above sections have traced the evolution and emergence of the business philosophies. The following sections will be a discussion of the various reasons which prompt the governments, to intervene in business and also the methods used in doing so. It will be necessary to discuss some forms of social philosophies existing in different societies or at different times to justify the intervention methods used.

### 1:13 LAISSEZ-FAIRE

This economic doctrine started in the eighteenth century by a group of French Political economists "PHYSIOCRATS", who favoured a spontaneous, more natural commercial system. They were opposed to the Mercantilist system where the government controlled the manufacture and the pricing of the goods, location of the industries, and movement of trade. The belief in this period was ' LET PEOPLE PRODUCE' (LET IT BE). This age believed in political freedom and 'Laissez passer' (to let people move around freely as they pleased). The single greatest proponent of this doctrine was Adam Smith, who published the famous book THE WEALTH OF NATIONS in the year 1776. He advocated that the role of the state was only that one of the security. Profit maximisation was

advocated. The business had no social responsibility and the government ought not interfere in the business sphere. The market place was, according to Smith, divinely approved and the invisible hand would operate to bring about equilibrium. The social well-being would come about as everyone tried to pursue their own, goal. The Smithonian argument was that the state intervention would upset the natural order of things. To avoid the selfish motives the market would allocate the resources in such a way that everyone would be better off. This theory persisted for long and was observed in that era. But as we shall see later this could not go on for ever.

#### 1:14 SOCIAL DARWINISM:

Charles Darwin introduced the theory of evolution (the origin of species) and Herbert Spencer applied it to the society. He (Spencer) argued that only the fit ones in the business or in the society could rise to the positions of prominence. "Survival of the fittest" was therefore applied to the society. The process of selection was natural and therefore the state intervention in any way was uncalled for and would only lead to social destruction. This conservatism was the carry-forward of the Laissez-Faire doctrine, that best competitors in any social struggle would win. And the philosophy put it that "what will be will be". The firm was viewed as a social system where-by a group of human being attempted to meet their social and ego needs through their interactions.

Under such a philosophy the state was supposed to be a mere observer and not an active participant. This view aroused the antagonistic school of thought of the socialists;

### 1:15 SOCIALISM

Socialism is the political doctrine that believes in state control of the economic activity. The state plans and regulates the markets, the production and to a great extent the consumption. To the bourgeoisie economists this can be termed "State capitalism". To the same any government interference is termed "Creeping Socialism" and therefore evil and a departure from their enshrined beliefs and virtues.

This doctrine was discussed at large by Karl Marx in his writings - the most known of which is Das Kapital. He opposed Smithonian Laissez Faire because it gave no room for the consideration of the peasants and the workers who did not have any access to the ownership of the means of production. It was not until the beginning of this century that these propositions were put into practice in Russia and later in China, Eastern Europe, and Cuba (far much later). Competition in the Darwinism sense of survival was considered both unfit and unnecessary in the socialist state. The abolition of private ownership leaves the individual with only his own skills to command. The gain through this has also to be controlled by the state in that everything has to be planned for by the state.

However, socialism, like capitalism on the other end can only be considered a theoretical Ideal-Type. None of these really exists in its purest form. As such there is the compromise - a middle of the road system in most ~~in-most~~ societies allowing for both the private enterprise and the state control, albeit aligning more heavily to whatever side it chooses. Examples of these types of mixed system are found in the Welfare State ( e.g. Britain) and the co-operative types (e.g. the Israel Kibbutz).

For the Welfare State the departure from the classical Laissez-Faire is evident, while at the same time the Marxian Socialism is not reached. This type of economics was advocated by Vilfredo Pareto<sup>12</sup> in the nineteenth century. Kenneth Boulding observes that:

"Welfare economics tries to set up standards of judgement by which events and policies can be judged economically desirable, even though on other grounds (political, National, ethical) they might be judged to be desirable" <sup>13</sup>

The state does not allow the market alone to be the sole distributor of national resources. It steps in to see how the profits are obtained and divided and helps in distributing some to the less fortunate. Goods that are too important are handled by the state and not by private citizens. Every

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12 VILFREDO PARETO - (See Arthur PIGOU: THE ECONOMICS OF WELFARE)

13 KENNETH BOULDING: WELFARE ECONOMICS (From ELBIG & ELBIG)  
The value Issues in Business.

citizen is provided with the minimum requirements even though he may have the financial resources to secure them.

In spite of any form of political philosophy prevailing in any country Governments have participated in the economic life. In the old capitalist powers the departure from the traditional laissez-Faire has taken place. What makes the government take all these troubles?

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The proper role of the government is that of a referee and arbitrator. This does not mean that he referee should make himself into a player. He should not get mixed up in the game. He should be a referee.

The state should then intervene to preserve fair competition. Should the government sit back and expect the cheap labor to go on forever? What if the Machiavellian state is not sympathetic with the profit motive as the only valid

force and fair competition does not exist in any country except in the theoretical formulations and abstractions. Milton Friedman in his book Capitalism and Freedom argues that



1:16 GOVERNMENT AND MAINTENANCE OF FREE COMPETITION:

In earlier periods, we have seen, the belief was in free competition as the only good thing for the maximum benefit of all. Free and fair competition provides great benefits, but an unfair competition or the lack of it is harmful. If only a few ruthless hands are present in the market there is no security for the others. Government can promulgate and enforce the ground rules under which the good and the fair competition can operate. Kitner suggests that:

"The proper role of the government is that of a referee not a player; but this does not mean that the referee should remain supinely idle while one player gouges another and contest turns to be chaos" <sup>14</sup>

The state should then interfere to preserve fair competition. Should the government sit back and expect the competition to go on fairly? What if the Machiavellianism steps in and operates with the profit motive as the only end?

Free and fair competition does not exist in any country except in its theoretical formulations and abstractions. Milton Friedman in his book Capitalism and Freedom argues that:

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14 EARL W. KITNER: AN ANTI-TRUST PRIMER Macmillan, 1964  
Pg. 226.

"Of course competition is an ideal type like Euclidean line or point. No one has ever seen a Euclidean line - which has zero width and depth yet we find it useful to regard many a Euclidean volume. Similarly there is not such a thing as pure competition." <sup>15</sup>

It is conceivable from this stand point that competition is a human, social concept as well as a technical-economic concept and of necessity involves value considerations.

From an ethical point of view free markets have been criticised as jungles full of strife, rivalry and outthroat manouvres. Market competition is opposed to altruistic co-operation and harmony. At any one time free competition struggle as one group tries to get what <sup>the</sup> other groups wants at the same time. Governments are necessary in that those basic needs of the society should not be left to competition. They should be guaranteed to the citizens.

Competition is seen as a great force when it is compared to the other non-competitive activities in the economy, for example the monopoly. Its (competition) effect on efficiency in supplying goods, rationing and allocation of resources reflect on its worth.

'Competitive' costs-those incurred in maintaining it may become prohibitive and the government would have to step in to reduce this wastage of resources. MILLS, in his book

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15 MILTON FRIEDMAN - CAPITALISM AND FREEDOM ( UNV. of CHICAGO PRESS - 1965 Pg. 120)

WHITE COLLAR asserts that there can be no competition without many small enterprises - the classic condition - competing against one another. The strength of free enterprise lies in preserving these small groups. He argues that:

"....they (small businessmen) operate within market channels and a tangled pile-up of restrictive legislation and trade practices firmly laid down by the big business."<sup>16</sup>

Elsewhere he argues that competition has been curtailed by the larger corporations or by the smaller groups operating collectively. To guard free competition governments should ensure that there is, freedom of entry, independent price competition in buying and selling, non-discrimination in buying goods even in times of great shortage, no private agreement or coercion-actual or implied among sellers (or buyers). Should these conditions be violated competition is not fair and therefore the government should come in and regulate that market in the interests of the public.

#### 1:17 THE LEGAL BASIS OF GOVERNMENT INTERVENTION

Once the government accepts the mode of economic life existing in the country, then there is the duty of protecting it

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16 C. WRIGHT MILLS - WHITE COLLAR (N.Y OXFORD UNI. PRESS  
19530 Pg. 39

through legal promulgations. Guarantees of private property, and assurances that no seizure without compensation, peace and stability, the control of those parastatal bodies through management and administration, control of co-operatives (where they exist); regulation of trade through licencing; standards of products; etc. are some features to be observed. Where competition is hampered by cartels or mergers the government comes in and legislates against trusts.

#### 1:18 ANTI-TRUST POLICY: REGULATION:

The earliest regulation of businesses in modern capitalistic societies was in the United States. The power to control commerce is left solely to the Federal Government. The purpose of the anti-trust laws in America has been to preserve competition and prevent monopolies. The watershed of this doctrine - the American business Magna Carta was the SHERMAN ACT of 1890. This Act dedicated to the Federal Government the duty of maintaining the principles of market price and fair competition with reference to the interstate commerce. Large business restricted and limited competition through mergers. Contracts combinations in the form of trust or conspiracy and restraint of trade is prohibited. The other acts that supplemented the Sherman Act are: CLAYTON ACT (1914) and FEDERAL TRADE COMMISSION (FTC) ACT 1914. The two acts emphasised the principles of the previous act. They also instructed on the restoration of competition where it had died. The following are condemnations by these acts:

- price discrimination of sale of commodities of like grade and quality when the effect may be to injure competition.
- Bar on use of exclusive dealing and tying contracts where the result is anti-competitive.
- Acquisitions of stocks and assets "which may substantially lessen competition".
- interlocking directorships of competing corporations (illegal).

FTC declares illegal "unfair methods of competition in commerce and unfair or deceptive practices". Such restrictive business practices are controlled. Any exclusive dealing arrangements such as agreements by a dealer not to handle those goods of a competitor or supply the same with parts is considered illegal because it lessens (harms) fair competition. When a firm is vertically intergrated the squeeze of supply may be imposed on the weaker firms with limited supply of raw materials. The state steps in here to help this weaker party while still allowing the stronger party to make reasonable profit.

During the times of scarcity the monopolistic firms could wield very strong powers and exercise discrimination by refusing to sell to some buyers. Otherwise other discriminatory methods, like selective distribution could be used and harm the trade of some dealers.

Unless monopolistic practices are controlled as is done through these acts the big businesses could conspire and hold the state at ransom. However this control is highly dependent on a good and sound legal system that will not be subject to abuse. The courts should be impartial and exercise justice for all the people.

In some societies it becomes imperative that the state should not only regulate the business, but take them over. This is in the cases where the monopoly is the only economically viable form of business especially in the case of public utilities.

#### 1:19 GOVERNMENT AS A CUSTOMER:

The other form by which the government can participate in the business is through its own role as a customer. Governments are usually the largest single customers of the goods produced in any society. Purchases by the government range from paper clips, uniforms, adding machines, typewriters, drugs ... to most complex scientific equipments. It will intervene to influence the prices and the quality of the items it buys. Where this power, however is not properly used the government could be a danger by dictating terms and therefore reduce the management control.

#### 1:20 GOVERNMENT AS A COMPETITOR:

In certain cases government does produce some of the items

it uses. Where there are other firms producing similar goods there arises competition. Also the government could offer goods or services to customers at a price. It is inevitable for the government to participate in the business dealings with the producers. Price policy and the standard of quality have to be discussed between the Government agency (as one business) and the other business. In other cases it may support some firms which are competing in the economy giving advantaged position to the one supported.

It is not a welcome move by private business to see Government participation; because of fear of using its advantaged position.

#### 1:21 GOVERNMENT AND CONSUMER WELFARE

The purpose of every business is to satisfy consumer wants (so that it can sell its products). As such it has been observed that:

"This is the age when the society has rejected the concept of let the buyer be ware '(caveat Emptor) in favour of 'let the seller take care'" 17

The government always comes in to see to it that the consumer gets a fair consideration for his money and that his health

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17 VERNON MUND & R, WOLF - Industrial ORG. an Pub Policy;  
Appleton - Century 1971 Pg. 303.

and safety are not jeopardised, by the product he uses. The standards and the specifications are therefore set and inspected by the government. (This type of regulation is exemplified by the American FOOD, DRUG, AND COSMETIC ACT of 1938, which inter alia, specifies that the drug should both be "safe" and effective" before packaging; should be tested in government laboratories; plants from which the drugs are made should be registered and inspected biannually; warning of any undesirable effects ought to be made and that full disclosure and informative labelling ought to be made. The FAIR PACKAGING AND LABELLING ACT of 1966 is another governmental concern for the consumer welfare. The act stipulates that disclosure of quantity; quality; in labels should be "truthful" to afford facilities for value considerations. Terms that mislead or exaggerate are prohibited. Examples of such a term are: "super pint", "a giant quart" etc. In Kenya a bill was introduced in 1974, by the Ministry of Commerce, known as THE BILL OF STANDARDS of 1974, for the protection of the consumer. It is possible for the consumer to face deception through unrealistic and "Eternal" sales, and other labellings like "10 cents- off", usual price - sale price". He needs protection against any unscrupulous traders.

Advertisement comes strictly under the consumer welfare because the business spends a lot of money persuading the consumer to buy what they have produced and not what he



necessarily wants. This phenomena leads to a departure from the traditional economic model. The consumer does not always have the full information from the producers and therefore does not make a rational decision. Advertisements always seek to elicit impulsive and irrational impulses through slogans, colours, status symbols, etc. This, however, does not preclude the existence of fair and informative advertisements especially those introducing a new product. The use of all forms of mass media for advertisements leaves the consumer no time to assess what he reads.

President Kennedy summarised this sentiment in a speech to Consumer Advisory Council in 1962 by stating that:

"Marketing is increasingly impersonal. Consumer choice is influenced by mass advertising utilizing highly developed arts of persuasion. The consumer typically cannot know whether drug preparations meet minimum standards of safety, quality, and efficiency. He usually does not know how much he pays for consumer credit whether one prepared food has more nutritional value than the other; whether one performance of a product will meet his needs; or whether the "large economy size" is really a bargain" <sup>18</sup>

In such a case the consumer can no longer be trusted to himself. The role of the government will be to make sure that what the business assent to produce is the "real" product.

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18 PRESTON LEE : SOCIAL ISSUES IN MARKETING, 1968 SCOTT, FORESMAN AND COY . Pg. 282.

Secondly, the business has responsibility towards its  
 Governments are necessary in regulating the consumer expenditure. It may require to divert the expenditures on luxurious goods towards the more necessary ones. It may require to divert the consumption towards the more nutritional foods and lessen the expenditure of alcohol, cigarettes etc. This entails to deal with the producers or the consumers. The moral value of the society cannot be left to be arbitrated in the market place for it no longer offers the rational choice. It takes the advantage of the weak and the ignorant.

#### 1:22 GOVERNMENT AND THE BUSINESS RESPONSIBILITIES

Business, like any other institutions operate in a society with its ethics, laws, and other institutions. The interactions of all the groups is guided by a code of ethics (morals) established by and within that society. However, should these relationships become strained the government has a duty as an arbitor. The continuous, dynamic, operations are only possible when the different actors know and keep to their roles avoiding to cross other's lines where necessary and assisting them at other times.

Firstly, the business has a duty to the consumers. The above section has dealt with the role of the government in bringing the business to perform within the limits of the norms that provide for the consumer welfare.

Secondly, the business has responsibility towards its Employees. The employees provide their services for the business at a price. The labour and the business operate under certain legal umbrella which guides and protects their contracts. The employees should provide that service they contracted for and at that price (wage, salary) unless they seek to change the contract under the terms of change. Provided they perform their part the management has a duty to pay them the agreed wages and provide the conditions conducive to their performance. However should one party to the contract dishonour <sup>it</sup> *The other can defend* itself through the formation of trade unions, while the employers have formed the employer's unions or the Employers' Federations. The Government comes in to provide a medium through which the disputes between these parties can be solved. These mediums range from the industrial courts to the legislations providing for the Unions' behaviour and code of operations.

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Third, the management of business has responsibility towards the owners. The stock holders are divorced from the management and they do come into agreement to govern the way the two parties operate. Ownership provides capital and expects dividends from the profits while management provides professional skills and expects pay in return. The Government provides the companies' Act and the courts to interpret. These acts outline the way the management

will operate the business. Should any of these groups fail their obligations or should there be a conflict of responsibilities, the government has to come in.

Business operates in the form of a co-operate citizen and is expected to live in society must like other citizens. This means that it has SOCIAL RESPONSIBILITIES like any other citizen. These responsibilities are the ones with the greatest disparities when we move from society to society, which is because of the diversity of the social norms and customs.

A business would be required to participate in National activities even though not related to its inner operations. Contributions towards woth courses like sports; towards the protection of environmental pollution; towards the researches of any kind that increase human knowledge; etc. In its activities it may bring externalities or neighbourhood effects. It should be concerned about the removal of such undesirables. In developing countries the responsibilities are much wider. The struggle of nation building should be a concern of every citizen, including the business. Should it fail to identify itself with these problems of nationhood the other citizens might gather together and pressurise the government to act. At times the government can act as an adviser to the national government in some fields because of its expertise. At other times it can

even lend money to the government. There is no room for business to operate in isolation just for the sake of 'economic' reasons alone.

The question of whether the business should participate in politics is a different one. In most of the industrialised Western Nations with a long history of Parliamentary democracy business has always taken sides in elections. At times it may support a certain party or candidate financially or sponsor a candidate who will care for its interests when elected. However this depends on the election rules of particular society. In some countries support from business may lead to an election petition because such a behaviour may be regarded as a malpractice while in other societies this may be regarded as a normal practice.

### 1.23 GOVERNMENT AND A STABLE ECONOMY:

Businesses are components of that multidimensional phenomena known as the national economy. The economic state of any nation determines the welfare of its citizens. The Government has a major duty in stabilizing the economy. Society is dependent on the business to provide a variety of products, and to act as the prime mover of the social activity. It is possible for the economy to suffer from a depression, like it did in the 1930s. The government ought to come out and interfere directly to save the state of affairs and provide employment and raise the production

as was stated by John Maynard Keynes<sup>19</sup>. He argued and urged that the Government should come forward and raise the level of demand instead of leaving this process to the automatic mechanisms in the economy. The Government can operate:

"First....excessive concentration of business power should be eliminated. Second, in so far as the economic system appeared incapable of self-adjustment it would become the direct function of the Government to restore the economic balance and underwrite continuing high production and employment."<sup>20</sup>

Through such a process the government maintains stable economy. The monetary, fiscal, and other public policies are its responsibility. The private businesses should be protected from incurring losses through faults not of their own. The government should provide good economic conditions for the operation of business. Inflation can only be controlled at national level and not from the level of the business. The taxation system will also determine the way the businesses respond to the new opportunities. The booming economy will provide good facilities for the investments because the returns will be attractive. To the small businesses the government can operate much more directly.

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19 DAVIS K. ROBERT, L BLOMSTROM: BUSINESS, SOCIETY and ENVIRONMENT. (Mcgraw-Hill Book Coy. 1971) N.Y. 1966 Pg. 198

1:24 SUMMARY AND CONCLUSIONS:

It is then possible to conclude that the future of business society will find more governmental intervention. This will be more so in the areas of pricing, especially in days like these of global inflation; in areas of consumer knowledge and welfare because of the numerous products coming out of the market; etc. The growth of complex technological devices leaves the single consumer rather puzzled and therefore the Government has a duty towards him. It would become possible for the large corporations to swallow the small ones and creat what J.K. GALBRIATH calls 'NEW INDUSTRIAL STATE'. The Government is the only institution with counter-veiling power and is the only one that can control the corporations' power. Amid the cries of "creeping socialism" there is need for societies to be more cautious before they are reduced to mass societies of directed- consumers.

In creating a Welfare state the social responsibilities of the business are called for. The management decisions ought to be socially responsible. The universe of the business is enlarged because it is no longer just a technological and economic one. However this does not mean the profit motive. Businesses should be both economically and socially productive, to become optimally viable. But too much control would be as distrous as too much freedom. A compromise middle of the road point should be found.

Whereas social alertness is called for in all the businesses, the societies of developing nations face greater problems. The Government's role here is even more complex because it is faced by the multinational, octopoidal businesses on the one hand, and by the illeterate masses on the other. The challenge is there and the choice has to be made. But to get the optimum combination of these two is not an easy task, and the dilemma of this quagmire may take a long time, (to get out of!)

#### PRE-COLONIAL PERIOD (Before 1900)

In the traditional African society economic life was based on the division of labour. This was done either on the basis of sex or age. The children cared after their young brothers and sisters until they themselves were old enough to go to the fields to look after cattle, sheep and goats. Clearing of the fields and cultivation was done collectively but weeding and harvesting were primarily done and taken by women. Threshing was done by men, some depending on the year being traded. Trade in food was generally done by women while that of cattle, goats and sheep was carried on by men. These duties according to physical strength were generally reserved for males.



CHAPTER 2EARLY BUSINESS HISTORY IN KENYA2:1 INTRODUCTION

In the last, introductory, chapter we discussed the evolution of business philosophies and the role of Government in business. The emphasis was on Western society which has had a long history of private enterprise. In this chapter the discussion will centre on the early business history of Kenya. The history is that of trade as it was practised in pre-colonial and colonial Kenya. The discussion concerns the experience of the Gikuyu tribe in the Central Kenya where the research was mainly conducted. It can only be assumed that trade between the other tribes followed similar pattern.

PRE-COLONIAL PERIOD: (Before 1900)

In the traditional Gikuyu society economic life was based on the division of labour. This was done either on the basis of sex or age. The children cared after their young brothers and sisters until they themselves were old enough to go to the fields to look after cattle, sheep and goats. Clearing of the fields and cultivation was done collectively but weeding and harvesting were primarily chores undertaken by women. Trading was done by both sexes depending on the item being traded. Trade in food was generally done by women while that of cattle, goats and sheep was carried on by men. Those duties demanding in physical strength were generally reserved for males.

Land was held permanently by one clan. When exchanged for goats or sheep and owned by 'foreigners' (from another clan) it was not a permanent sale. When the seller or his descendants became wealthier they gave back the buyer what he had bought it for and regained its control. There were two seasons every year and the soil was fertile, and usually productive. Whenever one season was not productive in one area those affected bought food from another clan ( or region).

## 2:2 MARKETING: INTRA-TRIBAL

In every Gikuyu region there was a market place set aside for the purpose of barter trade. Markets were usually attended every fourth day and the purpose was to exchange goods. Each woman carried what we had and spread it in the market place. If they were solid goods, like potatoes, they were arranged in heaps. Beans and maize were measured with a small half-calabash. The buyer and seller would barter until they reached a standard of exchange that was acceptable to the two of them.

Marketing of crops was generally when they were ripe. Bananas, yams, beans and the like were all taken to the market. Ornaments from the traditional blacksmiths were also sent to the market and exchanged in. However, for these items made by smiths there were certain generally fixed prices. These prices depended on the sizes of the articles required.

"For example a small knife is exchanged for a small basket of millet or two small baskets of beans."<sup>1</sup>

Goats and sheep were regarded as the standard currency and every other item was valued by the number of goats or sheep it would fetch. Because livestock was regarded as a symbol of status and wealth in the Gikuyu region it was found fitting to use them for standard value. One cow was worth ten goats. This standard currency was adhered to for a long time and even later when the white man came it persisted. It was considered a better investment because livestock gave birth and multiplied much faster than money could:

"The people look upon these animals as a good investment which gives them a yearly income, for if a man has two or three good sheep or female goats within a year they increase to six or more and people consider this a good profit."<sup>2</sup>

Trading went on outside the market place. Those people who specialised in selling tobacco kept their homesteads open for anyone who would like to buy. Those who were specialists in selling herbs (medicine) would do the same should the need arise before the market day. Also during the time of scarcity people would go to the home of the person who had the goods and buy from there. According to one interviewee her grandmother <sup>3</sup> was such a trader at home.

My grandmother had always kept good stock of <sup>(Sorghum)</sup> Ugimbi. In some seasons this might not grow in our area and people lined up to buy from her. Sometimes she would refuse to sell because of fear that there might not be enough

to sow when the season came..... During these seasons of scarcity there was no need to take it to the market. Also one had to exchange it with what grandmother wanted. If you did not have that (say bananas) you had first to go and trade with another person who had it and it and wanted your food."

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1. JOMO KENYATTA - FACING MOUNT KENYA (SECKER WARBURG - LONDON 1938) Pg. 61 (5TH IMPRESSION - 1971)
2. JOMO KENYATTA - ibid - Pg. 66.
3. The Interviewee was about 100 years old (1974). She claimed that her grandmother was as old as she now is. The latter (grandmother could then have been born in the late (18) - 1780<sup>s</sup>.

This home trading applied to the blacksmiths as well. People had the general idea of the prices of the knives and other ornaments. If one required an extra knife urgently one would walk to the smith carrying the worth of the knife or the ornament required. Trading went on even in the gardens. If one woman had a lot of bananas in one of her gardens and her neighbour had yams they would arrange to exchange in the evening while going home after work. It should be noted here that the small tracts of land owned by a family were scattered all over and they could be as far as four or five miles from the homestead. Should the goods required for exchange be in the farther garden the 'seller' would arrange to give hers on credit and go the following day to collect her goods. Especially in matters of food it was not proper to refuse one to carry because of lack of exchange item. It was generally accepted that the two would possess an item required by her neighbour. One time and she would also allow it on credit.

2:3 INTER-TRIBAL TRADE

Long before the whiteman came to Kenya inter-tribal trade went on. In the Central Part of the country trade was carried on between the Masai, Gikuyu and Wakamba. Items for exchange were spears, swords, tobacco, gourds, red ochre etc. In the border villages trade was carried on in ordinary markets. The boundaries were not so defined and those people living close together learnt each others' language and made friendships to allow them to attend the markets.

For the Gikuyu tilling the soil was their profession as opposed to the Masai's pastoral living. The Masai were Gikuyu's neighbours and they looked down upon them because to the former the job of touching the soil was contemptible. The Masai kept large herds of cattle and fed on milk and meat. They were, therefore, of stronger physique and enjoyed a more free-lance life style. However, during the times of drought they found it difficult to feed from milk and would get food from the Gikuyu. Their age-group system was based on their pastoral living and the basis of their manhood was courage (killing lions). For the Gikuyu the age-set system was based on circumcision and wealth. In terms of consolidated wealth the Gikuyu looked more prosperous, although they envied the Masai because of their larger herds of livestock. The Masai owned no land on individual basis because to them land was purely for providing pasture, while the Gikuyu still valued the 'possession' of the soil, besides keeping livestock.

Because of the distance between these two tribes trade between them was carried on through expeditions. Those members of the Gikuyu tribe who were at the boundary, and who knew the Masai language, acted as the escorts for the leaders of these trading expeditions. The Gikuyus were usually the ones who initiated trade by offering gifts to the Masai. They had things to sell such as the spears - while they still needed cattle and goats to boost their status. The Masai wealth was something to aspire for because amongst the Gikuyu only the rich owned cattle. The rest were the "sweet-potatoe and arrow-root" eaters, as the Masai termed them. Among the Masai all owned cattle and none tilled the soil.

The caravan leader and his interpreter arranged for the numerous Masai homesteads where they would stop when trading. After that he organized the carriers of his goods and also engaged small sub-contractors who carried their owned goods under his "licence" and paid him a commission in kind. The leader would buy from some small traders among the Gikuyus, who would be unable or unwilling to carry their luggages all that far. Millet flour, honey or ochre, might not be enough from his own land and he had to travel and buy it first.

Tobacco, Snuff, gourd were bought because of their quality and their quality depended on the locality on which they were grown. This shows, then, that it was not always possible to collect all the items from the neighbourhood. He had to drive his livestock for exchange and he had to travel with assistants who

were conversant with the quality of the products because it was not always easy for one person to know the quality of these numerous articles. The small gourds for putting snuff were especially valued by older men and women while the middle-sized ones were highly demanded by young Masai for milk when grazing. In times of hostility women still traded because it was untraditional to attack a caravan composed of women from either side and worse so if they were carrying children. Food for the return journey was buried near the boundary to be collected after the sale.

The exchange rate depended on quality of the goods and the size of the cow. A good spear could command 3 sheep or goats. Again the laws of supply and demand operated in this trade like in any other. Items like honey were heavily demanded. Unfortunately honey is usually difficult to get. It is usually collected in the evenings when the bees are calm. This<sup>is</sup> done using a flickering stamp to push them to one side. It is not always easy and even where they were controlled (there were experts for the job) it took many bee-hives to collect any sizeable amount. Of course such a trade was faced by big difficulties. The tribal wars would break when the caravan was en-route and the whole expedition would be attacked. Causing big loss in terms of goods and lives. The seasonality aspect of the trade was another major difficult. The goods commanded high exchange value during the time of scarcity. During this time (commonly the drought period) the caravans would also be attacked in order to gain the possession of the goods forcibly. There



was no certainty about markets. The caravan might stop in several homesteads without getting good bargains for their goods and this prolonged the distances they had to travel. Pitifully their food (RIGU) would get finished and they would have to exchange their goods for meat and milk in order to survive. It should also be noted that these caravans travelled through forests and they would be attacked (occasionally) by the wild beasts. The Aberdare (NYANDARUA) mountains were the main barrier as far as communication was concerned and also in <sup>ca</sup>herding the wild animals.

However, once the expedition was over the leader of the caravan travelled back collecting the orders of the new items required. The Masai warriors would sometimes go back with traders to buy spears from the Gikuyu blacksmiths. This barter trade was cumbersome in that one had to drive a herd of cattle to buy articles like spears. Besides one cow could possibly be shared by two or three traders if none of them had enough goods to buy it alone. They would not be necessarily friends and as such they would have to go to the Council of Elders for judgement on how to 'divide' the cow. Occasionally it would be kept under the custody of one person per period until it gave birth and the other one would take it, on a rotational basis, until it provided him with an offspring. Alternatively it would be sold to someone else and the value collected (in terms of sheep or goats) would be divided on whatever ratios were agreed (this depending on the luggage supplied by each).

2:4 EUROPEAN PENETRATION AND THE FALL OF MASAI-GIKUYU TRADE

In MASAI AGREEMENT of 1904, concluded between the said and the British, the Masai agreed to vacate their best and favourite grazing grounds<sup>4</sup> in the Central homeland; they were divided into two and each group went to the either side of the railwayline; and they were allowed to retain both a five square mile area near Naivasha for their circumcision ceremonies and a half-mile wide strip to provide connexion between their two sundered parts. It should be noted here that this 'agreement' was under pressure. But this helped the trade for a time because there <sup>were</sup> few attacks now that the colonial government was at the hem. The trade was held much more regularly as is noted in one District Report<sup>5</sup> 1909-10:

"....Kikuyu .... They bring in foodstuffs, tobacco, and calabashes which they sell to the Masai and the station staff".

The regularity of the trade was enhanced because the customers were not necessarily the Masai alone but now there were administrative posts scattered where the Gikuyu's could go and sell their articles. There was no need for friendships between the Gikuyu and the Masai in order to guard the caravans. This brought about the loss of personal relationships hitherto known between the two tribes. Besides the Asian traders had started little businesses in these posts and competed with these 'natives'. Because of the lack of personal friendships the caravans would face hostility in the homesteads and at times their goods would be confiscated. They would report to the Administrator.

The earlier report quoted continues to say:

".... It has been found expedient not to allow the Gikuyu to wander about among the Masai with their produce, as it leads to numerous complaints and squabbles.... The Masai say that the Kikuyu steal their cattle and the Kikuyu say the Masai steal their foodstuffs, and sometimes murder them."

Once this was done then the contact between Gikuyu and Masai became less. The Gikuyu had to sell their stuffs to the Asians and then buy the articles demanded back home from these shops. The profit margin was smaller. The colonial Government also restricted the Gikuyu from selling their agricultural surplus (unless with permission). Their monopoly on the Masai customer was usurped by the Asian and he (the Gikuyu) was left the duty of a cheap middleman. Again a new MASAI AGREEMENT OF 1911 was signed and the Masai were driven farther south. This provided transport problem for the caravan traders. Besides the caravan had to be extra-large to provide any sizeable profits. It became imperative for the professional traders to emulate the Asians and establish permanent depots, always built with branches from trees. These would not be good stores as compared to the Asian in his shop. However, these outposts later developed into trading centres present to this day.

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4 Memorandum by Jackson, 22Feb, 1904 quoted in G.R SANDFORD: An Administrative and Political History of the Masai Reserve (1919) Pg. 22.

5 KENYA ARCHIVES (DG/LKA/1/1)

The Gikuyu traders became absorbed into the Masai culture and traditions and became "naturalized" Masai, who waited for the supplies from Gikuyu caravans or bought from the Asian shopkeepers. With the advent of the Asian trader and the White Administrator new items like sugar, calico sheets, blankets etc came into the market. They were only available in the Asian shops. The Gikuyu trader bought them and stocked his new 'depot' thus being reduced from an initiator of trade to a mere errand boy of the Asian whose duty was to provide wider spread of his (Asian) goods. Once they were discovered the Gikuyu traders had to pay tax and get a permit for their 'shops'. The railway which was used by the Asians for transport appealed to them for it was faster and less tiring.

As the settlers started large scale production they required people to buy their produce. Asians started operating with lorries for transport as early as 1920s. The Gikuyu trader had no capital to compete with the Asian and a number of them ended up being employed by the Asians, in their shops if not by the settlers in their farms. The new methods of business operations had never been known before in their traditions. There was no alternative than succumb to their "superior" aliens and try to emulate and learn their methods. Europeans had come with their education and had used it to attack the local traditions. While the Gikuyu aspired to this learning they were distrustful of the way it be conveyed to them and their children and became resentful of the missionary. Hence they started their own Independent schools to educate their folks for:

"Education became the dominant passion, and the end to which all other activities were referred."<sup>6</sup>

To the Africans their trade had been usurped and as Morris summarizes:

"Europeans and Asian enterprise had eroded the traditional ways of acquiring wealth, while it pre-empted the new opportunities for profit. In their frustration ambitions .... Men began to see that if they were ever to approach European standards of wealth they had first to master European knowledge. The search for economic opportunity became increasingly preoccupied with education"<sup>7</sup>

## 2:5 EARLY ALIEN INFLUENCE OF TRADE IN E.A. COST

The East African Coast had early contact with aliens who came to trade with spices and slaves. This link with the outsiders was enabled by the presence of Monsoon Winds. The Persians and the Arabs came to East African coast following these monsoon Winds which helped the navigation of their dhows. Others to accompany them were Asians, Hindus, Phoenicians, Assyrians and the Jews. They bought beads, cloths and other ornaments and exchanged them for slaves, spices and ivory which were available from Africa. In December the Moonsoon Winds began to blow

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6 MARRIS & SOMERSET: AFRICAN BUSINESSMEN (EAPH 1971) Pg 53.

7 -;bid - Pg. 53.

from N.E. and this continued to the end of February. These migrants established trading posts such as Mogadishu, Pate, Lamu, Malindi, Kilifi, Mombasa Pemba, Zanzibar, Kilwa etc., during the dominance of the Omani Empire. The Omani Sultan became the Sultan of the E.A. Coast and by the time the Portuguese appeared in 1480s they found established traders.

The Indian merchants were good financiers and Seyyid Said employed them to advise on financial matters. They were more adventurous and risk-taking and they organized caravans to the hinterland. The local Chiefs would 'catch' slaves for them in exchange of the items the merchants carried. Locally these Indian Merchants became known as BANYANS and they acted as middlemen between the interior and the coast; while the Sultan and his Arab subjects became the link between East Africa and the rest of the world. It is not surprising then that when Vasco Da Gama arrived at the East African Coast towards the end of fifteenth century he had to bet a guide (pilot) from Malindi to India.

In the interior these traders sold guns and gunpowder to the chiefs and at times they used the same to scare them off. However, the warrior tribes resisted. The Masai, the Nandi and the Gikuyu fought with these "visitors". They found it difficult to penetrate the interior of these tribes as is exemplified by an observation here that:

"Among the Kikuyu the Arabs from the coast invariably encountered a hostile reception and the best they could achieve was trade with people on the periphery of Kikuyu country".<sup>7</sup>

## 2:6 THE INDIAN DOMINANCE OVER THE ARABS:

In a Greek guide for sailors compiled A.D. 100 - PERIPLUS of the ERYTHREAN SEA - it was recorded that Indians were the most prominent traders along the East African Coast. Later on Marco Polo, (AD 1254 - 1324)<sup>8</sup> a Venetian traveller in Asia, recounted stories about Indian links with East Africa; Portuguese found the Coastal Ports crowded with Indian ships. Thus the presence of the Indians along the coast had started before Christ. However, the Indians never controlled the coast politically or militarily. This was left to the Arabs. They (Indians) never controlled the great oceanic trade routes. But India was the best and the largest market for the East African goods and also the best source of the spices and other goods for exchange. Indian merchants, sailors, financiers and pilots were always available at the coast and they were the most persistent and the most resilient. During the booms they thrived. During the periods of economic disruption and political upheaval as different powers fought for control - be they Arabs, Portuguese, Germans or British - the Indian merchants were demanded for their skill and labour. Most of them were Hindus and therefore

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7 AFRICA in 19th & 20th Ed. Josh C. Anene and Godfrey Brown  
(IBADAN UN. PRESS. 1966) Pg.449.

8 MARCO POLO: TRAVELS BOOK 111 LONDON 1818; Chap. 26.

were never involved in the religious tag-of-war between the Islam and Christianity.

In the sixteenth and the seventeenth centuries the Portuguese attacked the Moslem dominance and the trade was disrupted. However, they (Portuguese) were interested in a great Oceanic Empire and Goa was part of it. Therefore, the Indian link was not cut-off and the Indian merchants continued to trade under the Portuguese umbrella. East labour was required in the construction of forts along the coast. The Indian Merchants acted as the advance guard for the Portuguese in penetration into the interior.

Again under the German and the British imperial rule in East Africa the same pattern was followed. Early Part of the nineteenth century the coast north of Mozambique had a revived economic activity. Seyyid Said (the merchant prince) moved his capital to Zanzibar and built a commercial empire. The slave trade with the Europeans and the North African boomed while the Indians still remained as the middlemen. In Zanzibar the post of Customs Master was always held by an Indian who was a financial adviser to the Sultan and collector of revenue. The Indians controlled the retail trade. Sir Bartle Frere noted in 1873 that more than half of the shopkeepers were Indians. As the British became the new controller of the interior of East Africa there was a carry - over of ideas from Indian Administrative system to British East Africa. This



was to be more so in the later period when the Indian Contract Act of 1873 became a guiding law in East African Commerce. To this day the East African Contract Acts are heavily influenced by the Indian one. In the Charter of 3rd September 1888, granted by Queen Victoria to the Imperial British East African Company gave one of the reasons as:

"....the possession by a British Company of the coastline as above defined, and which includes Mombasa would be advantageous to the Commercial and other interests of our subjects in the Indian Ocean, who may otherwise be compelled to reside and trade under the government or protection of alien powers. (Emphasis mine: see the charter).

The British subjects in the Indian Ocean were the Indians. And most of British officers to come to East African Empire had served the Government of India. Burton and Speke - the noted explorers - were officers of the Indian Army. Indian Coinage was made official in East Africa ( - the Rupee). While the Portuguese used Indian labour to construct forts the British used them to build the railway.

It is noted here that the Indians were indispensable to the various regimes which controlled East Africa. However, their economic dominance was challenged especially in Kenya by the new idea of East Africa (Kenya) as a "Whiteman's country". It became increasingly apparent that the settler communities disapproved of the Indians owning land and forced them to work in

commercial enterprises and therefore concentrated in the towns. Although the British government had intended to introduce the Indian peasant farmers to the hitherto unexploited land in East Africa the Kenya settlers began a policy of discrimination and this aroused the Indian nationalism here and in mainland India. As early as 1905 the highlands in Kenya had to be reserved for the Europeans and were christened "White Highlands," and by 1915 a law was passed reserving them for the whites, while in towns segregation was applied by imposition of racial covenants. As the Indians went hinterland and they were denied any right to own the land they found themselves competing with the Africans as noted in another section above. Thus they became the middle-level group while the Africans were left at the bottom.

To the African the Indian, became the immediate 'exploiter' as a 'dukawalla'. They became known as the 'race of shopkeepers'. While the Whites controlled the 'land' the Indian dominance was left in distributive sector. And like any other businessmen and especially where bargaining is used they became resented by the Africans. They were the people in day-to-day contact supplying the daily needs. The bargaining system which leads to charging different prices to different customers brought about accusations from customers. They exploited shortages for windfall gains. Although a practice like this is not monopoly of Asian traders it was always viewed from a racial point of view. It is not surprising then that the African nationalism was directed<sup>1</sup> against both the Whites and the Indian dominance in commercial sector.

### CHAPTER 3

#### THE COLONIAL PERIOD ( upto 1963 )

In the Kenya colony the politico-socio-economic system was based on racial differentiation so well defined that it was an 'apartheid' policy for all intents and purposes. Africans were pushed to the periphery of the monetary set-up, coming into contact with it only when they provided their labour to the settler farms or worked as 'house' or 'shamba' boys in their 'White's) homes. This master-servant relationship was also present when they worked for the Asians. This policy started at the dawn of this century and is exemplified by the public flogging of three Kikuyu servants, outside Nairobi Court House, by Captain Grogan who was the President of the Colonists' Association (1907). At this time there were only 2,000 Whites as opposed to the four million Africans.

There was segregation in the land policy as the Asians were debarred from owning any land in the 'White Highlands' and the Africans were pushed into Reserves similar to the Bantustans in South Africa (now). The Natives' villages were to be encouraged in the White Farms in the form of squatters who would provide labour in exchange for small pieces of land which they were to cultivate for their own food. The Whites went to different schools, hospitals, hotels; the Africans were not allowed to go beyond River road in Nairobi, intermarriage was not allowed (African Male to White Women); the Africans were

not allowed to drink the 'superior European beer.

It was against this background that the Asian and African Nationalism grew. The Asians were the first to oppose this practice for they felt that they were losing much as compared to the Whites who were also 'aliens'. They protested to the British Government and often via the Indian National Congress in India. Their protests were answered in 1909 when their first representative in the Legislative Council (legco), S.M. Jeevanjee was appointed by the Governor. The Kenya Protectorate was baptised 'Kenya Colony' in 1920 amid Asian protests over their inferior status. The African nationalism was awakened by this early Asian concern. The Asians had resolved in their Association (the East African Indian congress) that they be allowed to settle in Germany East Africa (later Tanganyika), and that the land be reserved purposely for 'Indian Colonization' where they could share equal rights with Europeans.

By 1920 the settlers were clamouring for self-rule from their mother country and to a large extent it was the Asian protest which prevented the establishment of this rule in Kenya in 1923, when they (settlers) had attempted a take-over of the Government. At the same time the settlers in Rhodesia (North and South) and Nyasaland were given self-rule and formed a federation. As has been observed,

3 "would the settlers now succeed in making Kenya a typical British colony? In this objective they were under the challenge of the Indians. It may well be that it was only their rivalry which prevented the Europeans from establishing their position in Kenya as in places farther South"<sup>1</sup>

Yet inspite of the Indian protest discriminatory laws divided the Nairobi City on racial lines. In 1923 11,000 Acres of the area were reserved for Europeans occupation and 3,000 acres for Asians even though the Asian population was about three times that of Europeans. The African was not seriously considered in the political mainstream of his country and it is not surprising then that in the London negotiations of the same year a white missionary (Dr Arthur) was chosen to represent them. In the reserves the Africans were not allowed to plant any cash crops, while the Asians were left to the Commercial sector. Most Indians concentrated in their field - trade and left political to only a few of their kinsmen. In 1932 J.B. Pandya founded the Federation of Indian Chamber of Commerce and Industry as a businessmen's 'Congress' to cater to their interests. The same year Kenya Marketing of Native Produce Bill was passed in the Legco which allowed the licencing authority (White) to refuse trading licences without giving any reasons. This affected the Asians and the discriminatory laws extended to commerce. The Asians were concentrated in the towns and became the main (usually sole) traders in all aspects of the commodities. The African earned his money from the Europeans

and 'sent' it to the Asians through the purchase of his provisions. To the African who lived in the towns antagonism towards the Asians grew side by side with that towards the Europeans. To the African the Asian had come to get some money and disappear with it to India. He too was a privileged class because by 1938: there were 9 Indian secondary schools in Kenya with 375 pupils and 9 Primary schools with 8,062 pupils.<sup>2</sup>

By the time of the Second World War the Africans had started small businesses in the rural areas, (in market places). Tea shops were places where people gathered in the evenings to discuss politics rather than places of business. There were small (often mudbuilt and thatch-roofed) shops which sold the common commodities bought from Indian shopkeeper often at retail prices. The profit would be any extra item the Indian might choose to give the trader. However, these rural traders survived as time passed by because the Asians were by law restricted to certain trading areas. The expense and the trouble of visiting the Indian shopkeeper was outweighed by the extra price the rural trader would require. However, the shops were often closed as the owners worked in their gardens and usually open in the evenings.

After the war the rural market centres were brought under the authority of district councils (African Native Councils). The market centres were chosen by the district authority and the plots allotted in limited numbers. Building structure were

formalised and were all (as they are this day) Uniform. So the Indian trader became an important factor in the everyday life of the African through his trade. In these rural markets not many shops would operate because;

"The entry of Africans into trade and commerce is slow and one of the chief difficulties is the lack of sufficient capital with which to finance a business. Other limiting factors are lack of knowledge and training in business practices and also the difficult of obtaining supplies at genuine wholesale prices, for frequently the prices charged by Asian wholesalers approximate very closely to the retail selling costs."<sup>3</sup>

Some shopkeepers had to 'specialise' in stocking the farm produce like maize, beans and the like and sell during the shortages. In 1956 a Fund was created by the Government to help the African traders by loans who were to be chosen by the local boards. The other major constraint was the prohibition by law against lending an African anything whose value was worth more than £200

The discrimination in all aspects of life towards the Africans came to the surface after the war which had acted as an 'eye-opener' to those who had gone to fight abroad. Mau Mau war broke out in 1952 with land as the major issue. In 1953 the Government allowed the Africans to grow coffee. By 1963 half

3 Economic Survey 1951: COLONIAL OFFICE.

of the total acreage in the country was under 25,000 small-holders. By 1960 land ownership in the settled areas became open to all races. To the African this was not enough because ownership was not free. Only the Indians could manage to buy then, the African still remained in the periphery.

Between 1946 - 1963 4,718 companies were registered in Kenya as follows:

TABLE 1

COMMUNITY	% AGE OF TOTAL	£ MILLIONS NOMINAL CAPITAL
EUROPEANS	57%	94
ASIANS	36%	29
AFRICANS	3%	1
OTHER (Partly European partly Asian)	4%	15
	100%	139

SOURCE: STAT. ABSTRACT 1963: MINISTRY OF ECONOMIC PLANNING

It is seen that even though the African controlled 3% of the companies he controlled  $\frac{7}{10}$  (0.7%) of the total capital invested.



CHAPTER 44.1 UHURU PERIOD(UPTO 1969)

In December 1963, the time of our Uhuru there was hardly any African owning a business in what is today known as: Kenyatta Avenue, Government Road, Kimathi Street etc - the area to the west of Tom Mboya Street (then Victoria Street), in Nairobi. The few Africans found were at Varma Road ( ) selling potatoes, and scattered in Ronald Ngala (then Duke Street). In the other large towns like Mombasa, Nakuru, Kisumu, Eldoret, Kitale, Thika etc the pattern followed was the same. It is difficult to get any reliable statistics of African businessmen in large towns at that period. Marris - Somerset observe that:

"In 1967 there were scarcely 200 African businesses in Kenya larger than a country store or a craftsman's shop....."<sup>1</sup>

Why was this the case? As we have noted in the last chapters, it was because of the racially segregated nature of Kenya's economic and political set up. Not only in business, but in all aspects of public life in Kenya the African was at a disadvantage. In the Civil Service he had not attained the level of a Senior Civil Servant; in the private sector he had not attained the level of management; in teaching he had not attained a senior level; in business he had not gone beyond a

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1. MARRIS SOMERSET: AFRICAN BUSINESSMEN: E.A.P.H.1971 Pg 1

grocery store and in farming he was not a big farmer. He owned the small-holding which produced for his subsistence and coffee had just been introduced to him in a limited manner.

The system of Kenya's education was (and still is) geared towards a career in an office (civil service or private sector) and did not prepare the African for self-employment in business. Besides the 'educated' were scornful of the Asian businessmen because they compared that occupation with that of the European who was in the office. It was the latter's manners they wanted to emulate because his values were superior.

By 1962 census 85% of the Asians lived in the four major towns in Kenya:-

TABLE 2

	ASIANS	AFRICANS	EUROPEANS
Nairobi -	86,453	156,246	21,477
Mombasa -	43,713	111,847	5,305
Nakuru -	6,203	30,189	1,414
Kisumu -	8,355	14,119	-
Other areas -	31,889	-	-
<b>Total -</b>	<b>176,613</b>		

SOURCE: STATISTICAL ABSTRACT: MINISTRY OF ECONOMIC PLANNING

1962

By 1964 the Asians were estimated to be 183,000. This compares with about 8 million Africans. And for the same four towns this Africans were three times as many as Asians and about fourteen times as many as Europeans. Because of lack of actual figures it can be estimated that Europeans controlled 90% of the top civil service and top management and the Asians controlled 90% of all businesses in towns. The commercial farming was exclusively in the hands of Europeans.

The Independent Government of Kenya had many problems to solve at the same time. It was only by finding an optimal combination of the available resources (most y manpower) could it operate. The most sensitive issue was Land. People had fought and died for it. The Uhuru slogan was "FREEDOM" and LAND". The Government has to give land to the millions of landless Kenyans who had either come from the forests, detention camps or who lived crowded in the rural areas. In such an effort Nyandarua district was created. By 1965 about 1,000,000 acres of former European land had been given to landless Africans. This was about a third of all that the Europeans owned. The distribution had been as follows (approximately):

1,000,000 Acres to the landless Africans.

500,000 Acres had been bought independently

300,000 Acres had been acquired by local Municipal or

Central Government.

By 1965 then only about one third of the former White Highlands was still in the hands of Europeans. For the moment the efforts would be diverted to other areas.

Africanisation of administration had been hurried through a "Crash Africanisation". Programme and nearly all the critical posts were held by Africans. \*\* This was even more so at the grass-roots and in the middle-level. Commerce and Industry remained widely 'unemancipated'. Because most Asians lived in towns and did no job, and because of their cultural background they had, over the years, been organised into closely-knit, tight commercial groups which were hard to penetrate. By 1967 there were only 3 African businesses in the Industrial area. At this time the African interest in business was beginning to be aroused.

Marris Somerset observed that:

"Apart from some European importers, wholesaling was still in 1967 mostly in Asian hands; Asian bakeries .....served the needs of country side; Asian sawmills exploited the timber of the forests; Asian contractors put every substantial building where the largest European firms did not want to compete."<sup>2</sup>

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2 MARRIS SOMERSET - Ibid Pg. 5

This was because as yet the African interests were in land and good job in the Civil Service. By 1967 the upward mobility in jobs had become slower. Most of the posts young employee could rise to were already with Africans who were not too old to retire soon. Land acquisition had become difficult. The prices were high and only the rich or those who had access to the loans, could buy. Co-operative farming was practised but still it required money to be a member and also one had to participate actively. Those working in the cities and could not own land now spotted the Asian shopkeeper. This another source of increasing the income. The rural businessmen spotted the Asian who was in the District headquarters who sold to expand. To him expansion was getting a business in the town, but the competition from the Asian was forbidding. To him Uhuru meant he would be protected against such aliens. The Civil Servant (top) also spotted the shop he buys his daily needs. All the pay goes to the Asian and the Asian made tremendous profits. Then the pressure built against the Asian shopkeeper from all corners. The European owner of Industry was still for off because he controlled (controls) production which was more complicated and requiring technical skills lacking in most people. The Asian way of doing business was easy-stocking and adding a few shillings above the buying price and selling. There was nothing creative or requiring technical skill.

With this growing pressure the Government too realized that the control of the business was still in the hands of foreigners.

Also it recalled that after Independence there had been a two year period of grace for non-Kenyans in which to choose where they wanted to live. Those who opted to become citizens applied for citizenship. Acceptance was not automatic, but most got it. Again the Government set to think: whereas the political set-up reflected an independent nation the economic sector still remained largely in the hands of the foreigners. "Bombay Scene" in the towns was not inkeeping with political uhuru. However, according to one official interviewed, the Government did not want to interfere directly in trade. From 1963 the Government had urged the Asians to train Africans in the art of business. In 1966/67 the Government made overtures to Asians to train the Africans and also to take them up as partners. It also encouraged the method of a willing buyer and willing seller. This, the Government, explained to the Asians was because of political expediency and also because it was 'fair to the willing Africans to join the sector they had not joined hitherto.. The Asians guarded their occupation jealously. Then 'we as a Government found it unfair: depriving or obstructing the Africans from joining the commercial sector.

In July 1965 the following motion was passed in the House of Representatives:<sup>3</sup>

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2 In Kenya there were two Houses this time. The Lower House or the House of Representatives and the Uper House or the Senate (41 members one for every district) Later they merged to form the National Assembly. - House of Rep. Debates: July 1965.

"This house notes the monopoly of trade in Kenya by Indians and the complete exclusion of African traders to participate in building Kenya's economy."

This was a reflection of the prevailing attitude of Africans towards the Asian traders. Now that he (Asian) was in day to day contact with the African they started seeing him make

'Large profits by cheating us. Especially in clothes where we do not know the material he can print any percentage of cotton Terylene'<sup>1</sup>

In Kenya Africanisation came as a policy which had to be carried on from sector to sector. The need for it in some sectors became apparent and pressurised by the citizenry only when the more critical sectors had been Africanised to a satisfactory degree. By appearing to guard their opportunities too jealously the Asians aroused bitter sentiments towards themselves. In 1965 Kenya National Trading Corporation\* was founded as a subsidiary of Industrial and Commercial Development Corporation (ICDC) to promote the interests of Africans in the Wholesale trade and by reducing the number of middlemen would 'lower the cost of living'. How it would perform the last duty was (is) not clear.

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1 This stands for information provided by Interviewee or respondents.

\* Discussed in details later (Chapter 9 )

In 1966 I.C.D.C. gave: £90,000 in loans to Africans and £10,000 in credit guarantees.<sup>4</sup> In the same period the KNTC took the distribution of sugar and gave it to the Africans. Cigarette and Brewery Companies were giving Africans a good share of distribution. Bata Shoe was slanting and by 1969 it had Africanised its retail trading. At this time 1966 most Asians in rural areas had seen the writing on the wall and started drifting to the cities and larger towns. This harmed farther the African attempt at establishing himself. In 1967 out of 62 companies in the stock exchange only 3 had majority of directors as Africans. And in 1968: out of 50 to company directors:

38 - British

9 - Kenyas (6 of British origin)

2 - Ugandans

1 - Irishman

50

5

Five years after Uhuru the African still remained in the periphery of economic sector. The Ministry of Home Affairs started acting. Those Asians who had opted to become British citizens were "deported". The "Asian Exodus" of 1967/68 began. Throughout 1967 the pressure from public and politicians was becoming too strong. It became politically sensitive. Reports from the press reflect on the national mood. Mr. Mwai Kibaki, the then Minister for Commerce and Industry.

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4 I.C.D.C. Annual Report 1966



'Urged ... non-African traders to help young African traders and businessmen by intergrating and going into partnerships with them."<sup>6</sup>

The tension between the African and the Asian grew. Not only did it affect their economic life, but also the social aspect. It was reported in the press that Asians were levelling threat: from Mombasa:

"If he (Vice-President) deported any more Asians they would join the opposition Kenya People's Union."

The exodus continued throughout the year and in Parliament the 'fleeing' Asians were non-Kenyans

M.P.s slammed 'fleeing' Asians and accused them of being disloyal. The Asian arguments that they were being discriminated and being 'foreced' to leave were refuted because they 'left as a matter of economic necessity arising from Africanisation'. Also by choosing to 'quit Kenya en masse openly expressed their disloyalty to the republic.<sup>8</sup> The citizen Asians queried about the term 'Africanisation' and were assured it meant all citizens of what<sup>2</sup>/<sub>3</sub> ever racial origin. Amid the African clamour of 'Evict Asians without delay' some Asian businessmen challenged their evictions in the courts.<sup>9</sup> Six Asians stall holders in the city market had been served with notices to 'quit the stalls within 3 months

in the interests of Africanisation' in accordance with a city council resolution. They challenged the validity of those notices in the High Court of Kenya and were given more time through a temporary injunction restraining the City Council from evicting them. They were non-African Kenya Citizens. This state of accusation and counter-accusation continued and some African businessmen questioned the equality of an Asian and an African citizen. Asian citizen was now accused of being "uncooperative and boastful because they had managed to obtain Kenya citizenship".<sup>10</sup> The Africans claimed that the Asians were abusive and threatening to Africans because of this acquired "equality". Amid this hue and cry about 1,400 Asians left for Britain in August 1967 and 2,600 left in September. These were the ones that had refused to take up citizenship as urged in 1963 by Mrs. Indira Gadhi (daughter of the then Prime Minister Nehru and today's Prime Minister of India). She had urged them on the Uhuru celebrations that it 'will be wiser to take up Kenya citizenship and contribute fully towards its progress with your talent and investment'.

That the period of grace was over and non citizen Asians were leaving the Africans still faced stiff competition. Businesses left by the leaving Asians were readily taken by citizen Asians. The citizen Asians also bought the premises and the African trader left alone to a free market of 'willing-buyer willing-seller' was again helpless.

The Government had now to step in directly and help him. This could now be done through a legislation because other methods had apparently failed. The background to this bill was as follows (by the Permanent Secretary):

"The Kenya Government is to introduce a Trade Licencing Bill in the next session of Parliament because non-Africans have failed to co-operate with the Government in its policy of Africanisation."<sup>12</sup>

He went on to outline the purposes of the bill and cautioned those who had thought that the Government was a 'toothless Bulldog.' He stated farther that the key problem facing the Africans were: business premises - whose rent varied with colour; lack of capital; lack of skills; and lack of co-operation from citizens of non-African origin.

6	DAILY NATION	30.1	.67	Pg. 15
7	" "	21.8	.67	Pg. 3
8	" "	14.9	.67	Pg. 74
9	" "	31.10	.67	Pg. 3
10	" "	30.10	.67	Pg. 7
11	" "	10.12	.63	Pg.

12. J. S. MATHA (then Permanent Secretary Ministry of Commerce & Industry) Daily Nation 13-9-67. Pg. 4

\* This situation is linked to the sector and complaints by citizens in the year 1967 and the further introduction of the bill.

4:2 STATISTICAL SURVEY:

The following tables attempt to analyse statistically the combined effort of the Government, and the public in transferring the economy (Commercial sector alone) to the hands of the citizens. The term citizens is used in these tables as it appears in the source. It includes citizens of all racial origins and can only be assumed that the Asians were the most.\* The survey carries the first three years of Independence up to end of 1966.

SURVEY OF DISTRIBUTION: 1966

Businesses divided into three main sectors were as follows:

TABLE 3: SUMMARY

TYPE	NO.OF FIRMS	% AGE OF TOTAL	SALES P.A. £ 1,000
JOINT WHOLE & RETAIL	332	5	49,624
WHOLESALE	1,614	24	250,996
RETAIL	4,712	71	66,729
TOTAL	6,658	100	367,348

SOURCE: ADOPTED FROM TABLE 129; STATISTICAL ABSTRACT 1972

CENTRAL BUREAU OF STAT. MINISTRY OF FINANCE &

PLANNING Pg. 136

12 K.N.S. MATIBA (Then Permanent Secretary Ministry of Commerce & Industry) Daily Nation 15.9.67. Pg. 4

\* This assumption is based on the facts and complaints by Africans in the year 1967 and the farther introduction of the Act.

TABLE 4:

NATIONALITY OF OWNERSHIP

TYPE OF BUSINESS	JOINT WHOLESALE & RETAIL		WHOLESALE		RETAIL		TOTAL	
	No of firms	% Age of total	Firms	% Age	Firms	% Age	Firms	% AGE
<u>CITIZENSHIP</u>								
Wholly owned by Kenya Citizens	63	19	358	22	2318	49	2739	41.1
Mainly owned by Kenya Citizens	35	10.5	149	9.1	267	5.7	451	7.0
Mainly owned by Kenya Residents	199	60	1001	62.1	2075	44.2	3275	49.4
Mainly owned by Kenya non-residents	35	10.5	106	6.8	52	1.1	193	2.5
TOTAL	332	100%	1614	100%	4712	100%	6658	100%

TABLE 5

NATIONALITY OF OWNERSHIP AND SALES.

Sales indicated the total of the three categories of businesses.

CITIZENSHIP	SALES K.£. ,000	% AGE OF TOTAL
Wholly owned by Kenya Citizens	73,348	20.0
Mainly owned by Kenya citizens	35,529	9.3
Mainly owned by Kenya Residents	156,770	43.0
Mainly owned by Kenya Non-Residents	101,701	27.7
	367,348	100

SOURCE: AS ABOVE:

NOTES:

1. Out of these firms only 27 were owned by co-operatives and the annual sales were K.£566,000 or 0.18% of the total sales. These were mainly owned by citizens.
2. Percentages are given to the nearest.
3. The last two tables 4 and 5 are analyses each of one column of table 3.
4. Mainly: is assumed to mean more than 50%
5. In table 4 and 5 the last two rows are concerned with non-citizens who were either residing in Kenya or outside.

Analysis:

From table 4 and table five it is seen that in 1966 although the citizen and mainly citizen owned businesses were about 48.1% of all the businesses registered the control of the sales value was 29.3% of the total. The non Citizens controlled 51.9% of all the businesses but controlled 70.7% of all the sales. Therefore, the rate of return per business owned was higher for non citizens.

COMMERCIAL SERVICES:

These services include the recreational services; Hotels, Lodging Houses and Restaurants and also Laundries, Cleaning and Dyeing.

SURVEY: 1966

TABLE 6: SUMMARY

TYPE OF SERVICE	NO.OF FIRMS	% AGE	K.£,000 RECEIPTS
RECREATIONAL SER.	187	18	2,236
HOTELS, LODING & RESTAURANTS	777	73	11,698
LAUNDRIES, CLEANING & DYEING	105	9	560
TOTAL	1062	100%	14,490 * 4

SOURCE: ADOPTED FROM TABLE 131: STATISTICAL ABSTRACT (1972)  
CENTRAL BUREAU OF STATISTICS: MINISTRY OF FINANCE & PLANNING (KENYA Pg 138)

\* SEE BELOW TABLE 8

TABLE 7

NATIONALITY OF OWNERSHIP

TYPE	REGREATIONAL		HOTELS ETC.		LAUNDRY ETC.		TOTAL	
	NO.	%	NO	%	NO	%	NO	%
CITIZENSHIP OWNERS:								
WHOLLY K. CITIZENS	27	14.4	470	60.5	52	49.5	549	51.3
MAINLY K. CITIZENS	12	6.4	47	6.0	4	3.8	63	6.0
MAINLY NON CITIZENS	51	27.2	257	33.0	49	46.7	357	33.3
OTHERS **	97	52.0	3	0.5	-	-	100	9.4
	187		777	100%	105	100	1069	100

SOURCE: AS IN TABLE 6

\*\* THESE ARE: RELIGIONS BODIES, TRUSTS, CHARITIES ETC.

TABLE 8

NATIONALITY OF OWNERSHIP	RECEIPTS* K.S, 000	% AGE OF TOTAL
Wholly owned by Kenya Citizens	4501	31.4
Mainly owned by Kenya Citizens	3329	23.0
Mainly owned by non-citizens	6142	42.2
Others	519	3.4
TOTAL	14490 **1	100%

SOURCE: AS IN TABLE 6



ANALYSIS:

From the commercial services it can be observed in table 6 that 73% of total numbers of firms were hotels, lodging houses and restaurants. This category also controlled about 80% of the total receipts.

The citizens had a sound control of this category and from the past African occupation it can be concluded that they controlled a greater portion of this business. However, from the information in table 3 and table 6 it is observed that receipts from commercial services were only about 4% of the sales from the trade.

In terms of total receipts the non citizens controlled lump-sum of 42.2% which was far ahead of any other group. Considering that receipts in row 2 are mainly citizen the balance would still add to the non citizens bring about an almost equal receipts for both the citizens and non-citizens.

Whereas the recreational category was in the hands of bodies shown the non citizens controlled about twice as much as the citizens. Laundries and related services are divided almost fifty-fifty.

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\* Receipts are the totals of the three categories of services shown in table 6.

\*\* There has been rounding up of these figures. Also in table 6 to make them agree because of a small discrepancy in the original data.

## CHAPTER 5

### DIRECT GOVERNMENTAL INTERVENTION: 1

#### BACKGROUND TO THE LEGISLATION:

As the Government realized that persuasive or free-market type of negotiations would not succeed it showed its concern in direct participation to enhance the pace of the African's participation in the commercial sector. This was formalized in the Government statement in the Development Plan 1966/70 as a recognition that;

".... No other economic activity is in direct contact with so many people as commerce. As long as the people as a consumer depends on retail shops that are overwhelmingly owned or operated by non-Africans they will conclude that although Africans have gained control over the political and administrative machinery of the country the economic life of the nation is still in the hands of non-Africans"\* (Emphasis mine)

This reflects on the Government's concern (if not pressure) about the public opinion that pressurised it to act not only towards the non-citizens but non-Africans who could be citizens. And as the Plan goes on to explain the commercial set-up had great psychological impact on the populace. This was a concern to show the true

nature and the wholesomeness of our political Independence. It was also a way to consolidate Uhuru. This, must be remembered was a period of political instability in the country with the formation of the now defunct opposition (The Kenya People's Union - K.P.U) and also the publication in the same period (1967) of a controversial book by the opposition leader: NOT YET UHURU\*\*. The book touched on this aspect of economic Uhuru.

It became imperative for the Government to act and therefore it advocated a Planned Africanization of commercial sector in this new plan. By this it was meant that the Africanisation was now going to be followed as a policy. The plan also stressed the Africanisation aspect as opposed to the Kenyanisation which would appear more internationally acceptable because of lack of that racial element connoted in the former. However, the concern at the time of drawing the plan was more domestic than international. The nature of the Commercial concentration in Nairobi and Mombasa was mentioned while still condemning the type of the bazaar haggling

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\* Development Plan: 1966-70 (Government Printer) Pg.267

\*\* NOT YET UHURU: OGINGA ODINGA (HEINEMAN: 1967)

which existed (and still exists!) in the country even though it ended in Europe and North America long ago.

In an effort to explain the line it was going to take and also to justify the Act it was going to introduce the Government highlighted some problems of the commercial sector:

1. The Government accepted that the Africans working in commerce and trade on their own were in absolute numbers more than the Asians and Europeans but also stated that trade incities and towns was dominated by non-Africans.
2. It farther justified the need for its participation by the observation that there were hardly any Africans in the main streets of Nairobi and Mombasa. And even in terms of employment in these streets the number was small.
3. The Government indicated its concern towards expanding the sector and also the need for assisting in establishing viable concerns. This was necessary because there were (are) too many small concerns competing and in their effort to cover up their overheads they were (are) forced to have high-mark-ups and also insititue restrictive practices in an effort to gurd their profession. Those restrictive practices made it difficult for Africans to enter into this sector.

In helping establish viable concerns the Government indicated its concern to improve the efficiency of trading methods and also of reducing the numbers of the middlemen between the producer and consumers to the benefit of both. There was also going to be improvement in the selection of goods as well as the standard of service to the consumer so that he too could benefit from Africanisation.

4. The Government intended to ensure that the process of wholesale and retail trade was extended to all areas of the country and more so in the rural areas in order to give the people there opportunity to buy what they need and sell the goods they produce for the market.

There was the recognition of the financial constraint that debarred the African businessmen from either buying non-citizens out; or establishing new ones or expanding what they already had. It was difficult to help them in an unplanned take over and therefore the plan stated that:

"It may therefore be necessary in some cases to consider take-over of existing commercial enterprise by African businessmen; Co-operatives; or the State. The principal method of increasing African participation will be to enable Africans to own Commercial enterprises"

In doing this the Government gave assurance that it would be done with due respect to the "Constitutional safeguard against discrimination"

The best way that could accord the promised constitutional safe-guard was by enacting a law in Parliament that would enable the Government to carry out its policy with less hue and cry from non-citizens. It was also necessary to be a constitutional and an orderly process in order not to scare away 'investments'.

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\* Development Plan: \_\_\_\_\_ Ibid \_\_\_\_\_ Pg. 270

## CHAPTER 6

### 6:1 GOVERNMENTAL INTERVENTION II: LEGAL FRAME WORK

INTRODUCTION: In Kenya there is a dual-licencing system. There is the Local Government Regulations Act of 1963 and the Trade Licencing Act of 1967.

In this discussion we shall deal with the latter first.

#### 6:2 (A) TRADE LICENCING ACT of 1967

The Trade Licencing Act of Kenya was passed in Parliament in 1967, but became operative on 8th January 1968. The Act is divided into four parts. The first part is merely definitional; second one deals with business regulation; the third deals with the licencing of business and the fourth with the enforcement of the Act.

In Part I the Act defines terms that become crucial in the other part of the Act and for our purposes the following will suffice:

##### (a) Resident of Kenya:

In any particular year, " an individual resides in Kenya except for such a temporary absences as the Minister may determine to be reasonable and an individual shall be deemed to reside in Kenya if he has a home in Kenya and is present in Kenya at any time in that year:"

(b) For a corporation to be resident:

".... the control and management of the affairs of the corporation were exercised in Kenya in that year."

(c) For a corporation to be considered a citizen of Kenya more than 50% of ownership of capital ought to be held or held on behalf of citizens of Kenya. Also a Statutory declaration is required from a director of another responsible person of the corporation that 'to the best of his knowledge and belief more than one half of its capital is so held'.

(d) For a Partnership to be considered citizen all the partners have to be Kenya citizens.

The second part of the Act deals with the nature of the regulatory power given to the Minister. Under Section 3 the Minister is given power "to declare by order, any area or any part of the area, of any city, municipality or township to be a general business area" (Emphasis mine: see later section).

Under 5 (4) he has power to declare any goods specified. Under the next section 5 (2) it is stated that;

"no person who is not a citizen of Kenya shall conduct a business:-



(a) in any place which is not a general business area; or

(b) in any specified goods;

unless his licence specifically authorizes him to do so.

Non citizens were also prohibited from trading in the rural areas.

The penalty for contravening this is punishable by:

(i) One year imprisonment or a fine not exceeding Shs. 10,000 or to both such a fine and

imprisonment.

(ii) The Minister can revoke the licence of the guilty party; and

(iii) he can prohibit the issue of a licence to the person for a period not exceeding 10 years.

The Third Part authorises the Trade Officer to grant licences either full or conditional. However he too is restricted in that should he refuse to grant a licence to an applicant, the reasons for such a refusal will be communicated in writing if the 'applicant so wishes'. Sec 8 (1) gives the officer to amend an existing licence by:

1) Substituting the kind of business for another or adding another kind of business.

2) Substituting the premises.

However the transfer of a licence is strictly prohibited except in such extraordinary cases like death; when it is transferred to the heirs; in case of bankruptcy when it is transferred to the trustee or assignee; or in case of legal disability when it is transferred to the authority administering his affairs.

Section 11 gives the guidelines of the officer when he is performing the duties;

- (a) He will be guided by the principle that businesses carried on ..... non general areas are by Kenya citizens where practicable and specified goods are dealt with by Kenya citizens where practicable (Emphasis mine).

The Officer should also give consideration to the following:

- (i) Whether the business ought to or can be carried by Kenya citizens.
- (ii) Whether the activity is in the public interest.
- (iii) Give consideration to any special programme of development in the area concerned.

The Officer should also be satisfied that the applicant has not:

- (i) been adjudged bankrupt and been discharged or entered into a scheme of arrangement with creditors.
- (ii) been convicted of an offence in the five years preceeding his application.
- (iii) been convicted of an offence under; imports, exports and essential supplies Act; Price Control Act, Merchandise Marks Act; and Weight and Measures Act in the five years preceeding his application.
- (iv) The Applicant should be above 18 years of age.
- (v) He has complied and will comply with all the laws applicable to the business and premises.

However in spite of these conditions the officers could grant a licence if he considers it:

"Just and reasonable to do so in all circumstances of the case:" The appeal by any aggrieved Party is to the Minister (within 14 days) who through the advise of the Advisory Committee is the final judge.

A final section authorises the Police, Trade Officers and other officers to ask for a licence from any trader. The schedule of the licence fees is also appended to the Act.\*

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\* See Appendix 3

### 6:2 B ANALYSIS:

The Act has certain loopholes and meatnesses that make the smooth running of the work of Trade Officer difficult. It also gives him wide powers that could render the very objectives of the Act ineffective.

While the Ministry of Commerce deals with the regulation of the business according to the Act it does not have power of enforcing its provisions.

Any contravention will be handled by the Police under the Ministry of Home Affairs and an prosecution dealt with by the judiciary under the Attorney - General's Chambers. There are certain general and rather broad definations of terms like 'resident of Kenya' which could be prone to differing interpretations by different officers.

Again where the purpose of the Act was to expansion of commerce so that it could reach the Africans the power given to the Trade Officer of substituting a licence for another one causes great danger to the fulfilment of this objective. In some cases those allocated businesses from outgoing Asians find it difficult to continue with it and they change over to the easier types of business\*. This fails to promote the African to become competitive and deters the development of entrepreneurship in him. Whereas section 5 of the Act deals with the restriction of

where and how the citizen and non-citizen carries on his business it then gives a proviso which in effect could make the above conditions inoperative: "unless his licence specifically authorises him to do so". It becomes difficult to know why the licence should authorise a non-citizen to trade in the prohibited area and this only opens fertile grounds for corruption and malpractice in the licencing process.

Also according to the Act one trader could acquire a licence for both Wholesale and Retail combined. This is harmful in that it is possible for this trader to hoarde the faster moving goods and refuse to distribute them to other retailers because he too can sell them under his Retail licence. This can be compared to the Trade Licencing Act of Zambia which separates the two categories of trade. In Zambia a trader has one of the two licences but not joint.\* There is a general list of the laws list of the laws under which the applicant should not be convicted but the officer has no way of ascertaining it. Besides there are several traders who are convicted uner the Price Control Act and yet they carry on the businesses and their licences get renewed.

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\* See Chapter 7.

\*\* Trade Licencing Act: Cap 707 of 68; Lsws of Zambia (Government Printer Lusaka)

The lack of co-ordination between the citizen granting Ministry of Home Affairs and the Licence granting Ministry of Commerce is of great concern. Trade officers are often confused as to who should get the licence because once the citizenship application is being considered the trade licence can only be conditional to the acceptance of citizenship. Often there is interference from the 'big shots' who dictate the granting of licences or work permits for people who should not. Under the same token the conditions which prevent the officer from granting a licence could be overruled by the Minister. This way he (Officer) operates under uncertainty. Otherwise he too can overlook the conditions where he thinks it is "just and reasonable" to do so. Such an ambiguous term leaves the officer a wide ambit under which to operate. The Act does not give direction as to how the terms 'just' and 'considerable' will be interpreted. It opens room for negotiation where an officer intends to become unscrupulous. 'Practicable' is another term that has been merely used and not elaborated.

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An Act should not merely leave such terms to be interpreted by laymen, bearing in mind that most trade officers will be students of commerce and economics where they are educated or old civil servants who have been promoted on the job.

Public Interests is another term that could render itself to misinterpretation or to ambiguity.

The other major problem in the operation of this Act is that a considerable number of the Trade Officers are not conversant with its provisions. Out of 12 Trade Officers I spoke to only 7 had read the Act. And these had not necessarily understood it. It would be to the best interests of the country if these officers were trained in terms of interpreting the Act and also in supervising its smooth operation.

However, it is to be observed that the Act uses the terms citizen and non-citizens and not Africans and non-Africans to avoid unconstitutional connotations. Throughout the research most officers talked in terms of the latter two terms. Their reason was that the Asian citizen was strong enough and that he could operate on his own without Government protection.



In terms of definition I asked the 12 Trade Officers for their understanding of the terms practicable and public interest. For the first term there was a general observation that this was where there were no citizens (especially Africans) qualified enough to carry on a line of business. In such a case, they argued it would be unwise to refuse the non-citizen a licence. This was in the case of the specialised lines of business e.g. chemists. For the term public interest the general view was that 'the greater part of the population especially customers relying on that business are not to be hurt'. According to one Officer:

"Even where there would be qualified citizens for taking over, in terms of the conditions laid down, I could still refuse to give the business to them if I am doubtful of their capacity to maintain the level of service, stock and to be able to get enough supply. This is especially in the bigger stores which have to import some of their items and on which most people depend on for their daily purchases"<sup>1</sup>

Discussing with some officers about the generosity of this terms it was possible to discern certain characteristics.

In the process of political policy formulation there may be an optimal trade-off between flexibility from unspecific wording and inflexible, well-controlled implementation. In this case the trade-off was not always in the best interests of the country. Most of them called for Amendments to make the act more specific and give them more direct powers and protect them from political harassment. However there were benefits in this unspecificity in that there would be misuse of powers, oppotunism; and corruption. There were those who preferred such a nebulous Act because they are afraid of lack of inflexibility in the face of uncertainty should the Act be too specific. They feel that a Licencing Officer should have enough powers to determine the line of action depending on the circumstances of the case.\*

### 6:3 THE LOCAL GOVERNMENT REGULATIONS ACT: 1963

It is necessary to discuss this licencing Act at this juncture because it too touches on the general trade pattern and also reflects on how effective the licencing system in Kenya can be.

Regulation 148 of the L.G.R.A. vests power in a local authority to impose fees for permits and licence issued, which ought to be regulated by the local authority's by-laws. Alternatively the fees could be governed by a resolution of the local authority (with the consent of the Minister for the local Government).

Regulation 163 of the same states that a Municipal, Urban and County Council is empowered to prohibit or control peddling hairdressing and barbers, second-hand goods dealers, hawking and street trading, rag and flock manufacture, noxious industries, offensive trades and other occupations.

Regulation 165 gives the local authority power to refuse to grant or renew a licence and to cancel licences. The regulation has explained farther such a refusal or cancellation can be done if premises in or at which the applicant intends to carry on his trade, business or occupation do not conform to the requirements of any by-laws in force in the area of such local authority.

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1 Interviewee.

\* Compare with Appendix 4

The Act further empowers every municipality and County council to prohibit and control the development and use of land and buildings in the interest of the proper and ordinary development of its areas. This then gives the authority power for Zoning Industrial, commercial and residential areas.

According to the Legal Notice 69 of 1969 the Control and regulation of trades and occupation were given a wider definition:

Local Government shall have power to prohibit, control and regulate .... basket makers, betel leaf traders, wood carvers and dealers in native arts, crefts and curios, charcoal dealers, decorators, dealers in dhows and canoes, fire-wood dealers, fishmongers, fuel depots and filling stations, mirae traders, street news-vendors, itinerant painters, polter makers, pit sawyers, plumbers, reairers of bicycles and other vehicles, shoes, and sandal makers, snuff dealers, sugar-cane crushers, sign writers, scrap metal dealers, travelling wholesale dealers, timber merchants, traders in roasted, boild, fried or cooked foods,

verandah and street shoe cleaners, weavers and spinners, water vendors, watch repairers, workshops including carpenters and metal crafts dealers, trade premises.\*

When examined this licensing system was inherited from the colonial system and it poses the question of its relevance in a Kenya that has been Independent for the last eleven years. Whereas the Trade licencing Act was necessary in order to transfer the gainful activities from non-citizens to citizens in an orderly process that would not affect the economic growth of the nation, the LGRA seems to discriminate against the small out-door trader. If the licensing system aims at the expansion of trade while still maintaining the level of self-employment (or raising it) it then appears unnecessary to have this elaborate local Government regulation. The hostility towards hawkers or street traders was started during colonial Government because it competed with the "modern sector" which was primarily alien controlled. The hostility was carried forward by the Independent Government because those who took over the non-citizen businesses wanted similar protection like their predecessors. The traders in the cities and towns complain vehemently about the competition they

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\* Compare this with Legal Notices in Appendix 5

receive from the hawkers. However these traders have to be licenced for the sake of raising extra finances by the local authorities. This hostility between the two categories of traders was recorded by a Working Party on Rent Control 1965:

"Throughout the inquiry our attention was drawn to other problems concerning small traders, but which did not fall strictly within our terms of reference. They were as follows:

- (i) Hawkers are seriously damaging established businesses in sectors of the towns particularly in Nairobi and an attempt should be made to control this unfair competition. From the evidence received this was a major factor in the falling off of businesses especially amongst the small trader.\* (emphasis mine)

In a survey I conducted at River Road area of Nairobi out of 45 traders questioned about this competition from hawkers 40 were of the opinion that the hawkers should be banned. The other five did not mind them. This five had big businesses and they argued that some hawkers bought their stock from them.

Banning them would harm the businesses of these five. However the others argue that:

"Hawkers and street traders sell the same things we keep in the shops. Therefore they compete against us. They pay no tax for their trade and also they pay no rent. It is a bad competition."<sup>1</sup>

These traders feel that they have bigger burdens - loans, tax, rent etc and therefore require government protection. This view was strongly opposed by the hawkers who feel that to own a shop was a privilege in a country so full of unemployment and thus;

"The shopkeepers should be ready to compete with us. We do not steal. We make honest living and when it rains our commodities are spoilt because we are not privileged to have shops. Of course everyone cannot have a shop. But denying us licences is denying us any right to making a living in this country. After all they get those shops not because they deserve them but because they have connection"<sup>1</sup>

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\* WORKING PARTY ON RENT: 1965 (GOVERNMENT PRINTER)  
PG.2

A fair estimate of people engaged in outdoor trading is hard to get, but they are by far more than those in sheltered places. Besides this sector employs a lot of people and the licencing process only helps in making their living difficult. In Kenya Parliament there was complaint that:

"thousands of Nairobi residents were faced with food and income problems since the closure of markets, kiosks and withdrawal of hawkers licences....."

It is apparent that there is an in having a dual - licencing system. This is because the local authorities are not governed as a team but each - municipality or Country council acts on its own and for the interest of its local authority. This was apparent in Kenya in the late 1974 after the outbreak of cholera whereby some municipalities closed their outdoor trade and the others did not. Most traders affected by local government regulations feel that there is a lot of injustice in the licencing system. They argue that this system is based on discrimination and bids against the poorer sector of the masses.



This would be exemplified by a report appearing just a few days before the Parliamentary complaint; headed KIOSK OWNERS APPEAL TO MZEE.\* The Kiosk owners appealed to the President in an open letter for the closure of their kiosks as an anticholera drive.

"....thousands of families who owed their living to kiosks were now starging .... could no longer buy their food and meet other commitments such as education for their children ..... 'acting under the guise' of an ati-cholera compaign the city council closed kiosks but has since allowed most of them to 'reopen under a certain company' that would be in charge of all kiosks in the city .... We beseech Your Excellency and kindly request you to instruct the City Council to re-open these kiosks and we will abide by all health requirements...."

Also in 1973 the traders (hawkers) in MASAKU COUNTY were denied licences in order to protect the established businesses so that the latter could manage to pay their loans.

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\* East African Standard; Feb. 11th 1975 Pg.1

Such an argument was not convincing enough to make hawkers. It was seen as double-protection. One the hawkers do not have access to the loans; these go to the 'established traders'. Two the government protects the latter and prohibits the hawkers from trading. While it is quantifiable from the Government side in view of the investment in loans from the ICDC and the District Boards it is not reflective of social fairness. The traders should have known of the hawkers existence before taking the loans. The Chairman of the same County Council advised the hawkers "either to rent or build shops in which to carry out their businesses" (E.A.S. 11.1.73). That was unrealistic advice. The hawkers could not (and still cannot) afford either! Examples of this nature are many. And this tells of the misuse of the power a local authority could exercise to a point of crippling the initial government objective in the Africanisation of commerce. This brings about the question of whether this policy would really be achieved at the expense of other members of the same society. While Tanzania has in fact lifted the requirement of licences for hawkers in Kenya it is still an issue of debate. Because of their meagre incomes it is difficult for the open-market traders to

build good buildings that would meet the standard nor can they afford to rent them. This then leaves an obvious alternative that it is possible for them to be eliminated from participation in free market mechanism, not by competition or their own shortcomings but by the way the laws are administered by the local authorities. Setting of the fees for the city councils is not uniform. For the same trade or occupation fees could be defferent as we move from one district to another e.g. for bicyclerepair the fees is Shs. 15/= in Murang'a and Shs. 10/= in Kiambu. This system could also lead to double-payment of the licence fees. This case may not be prevalent but it was found in seven different locations in Nairobi whereby some businessmen: two radio repairers one watch-repairer; three garage-owners and one dealer in records showed two receipts. One from the City Council and the other from Trade Office under the Trade Licencing Act.\*

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\* Most of these people were afraid of demanding refunds or to question the legality. They took this system unhappily, but when asked why they did not appeal they shrugged their shoulders and said they could not win.

To the hawkers and other petty traders, artisans, kiosk-owners etc. the licence fees does not count to them. They feel that 'as long as they can get it they would be able to make enough money to pay for it'.<sup>1</sup> Also the argument was that it makes them work without fear as 'though we were robbing anybody'. They also argue that granting of a licence does not guarantee success in business and they could not understand the ground for the fear of the shopkeepers. They further argue that they spend much more giving chai and pombe (bribes) to the council askaris<sup>2</sup> than they could spend in paying the licence fees.

I came across some kiosk owners who were infact making good business in their tea and food trade. However they were not the holders of the licences, but these belonged to certain councillors. The one most performing a good business paid K.Shs. 500/= to the councillor per month, for the use of his site. He had also to buy sugar, tea leaves and other items from a shop belonging to the councillor. However he explained that he usually bought only a few items and later bought others from elsewhere on wholesale, but made sure the councillor did not know. As another condition the councillors' children took tea and bread (with butter) from his kiosk because they went to a school nearby. These expenses were not paid.

It is my observation that such laws discriminating against the society are undesirable if the country is to progress towards its declared goals of an expanded economy catering for everyone's aspirations. These people need freedom to eke a living which will supply goods at competitive prices which would be attractive to the lowly paid wage-earners who cannot afford to purchase from the shops. The restrictive licencing policy advocated by the Trade Licencing Act is necessary to promote Africanisation. However on the case of local authority it is undesirable for even it deters the development of entrepreneurial talent. By competing freely in the market they would develop discipline and talent because only the best of them would succeed. They would also force those who are 'acquiring' shops to be competitive. But their chance of survival would be nil should these laws continue protecting those already economically well-off and politically influential. Today some of the most successful businessmen have been in it for years and have trained on the job. Some even started as hawkers or street traders. Now that this group existed long before the new 'QUIT NOTICE GROUP' taking restrictive measures will not help

the latter group to develop and compete effectively against the more experienced citizens Asians - Besides supplying at lower prices hawkers add to the utility of the goods in that they take goods directly to the consumer. It would be an unfair phenomena and falling short of national equity to create chances for monopoly profits to the licence holders alone: It can also be said that:

".... The maintenance of the present system of unequal opportunities to trade may smooth the way .... in the short run; but it does not appear to be conducive to the ultimate emergence.... of a class of trader produces by the prices of competition.... The easy road to commercial success is not usually the shortest."\*

A great proportion of Kenya Urban population makes a living out of the informal sector. This sector should then be taken more seriously noting the acute and threatening unemployment problems facing the country. It is also necessary to realize the sectors contribution to the national income by noting that

".... far from being only marginally productive is economically efficient and profit-making. Though small in scale and limited by simple technologies little capital and lack of limits with the other ("formal") sector....offer(s) virtually the full range of basic skills needed to provide goods and services for a large though often poor section of the population....

;;; For observers surrounded by imported steel, glass and concrete, it requires a leap of the imagination and considerable openness of mind to perceive the informal sector as a sector of thriving economic activity and a source of Kenya's future wealth".\*\*

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\* E.A. Royal Commission 1953-55 Report Pg.71:  
An observation during the colonial period adopted to be relevant for our present analysis.

\*\* ILO Report: Employment, Incomes and Equality.  
(1972, Geneva) Pg 5.

CHAPTER 7OPERATION OF THE ACT:7:1 MEANING OF AFRICANISATION:

So far we have discussed 'Africanisation' yet we have not established the meaning of the term. It is also to be noted that the term has not been used in the Act, but is only used in interpreting the Act by the officers who carry out the policy. Out of the twelve Trade Development Officers ten agreed that it was the same as Kenyanization with a bias in favour of the black Kenyans. The others saw no bias in the term and argued that since Kenya was an African country then it was only fair to call all its citizens Africans. They saw no need to differentiate the African; the Asian and the European citizens. This school of thought was also seconded by some Asian traders who agreed that the term 'Africanisation' should not scare Asians or Europeans. It should be taken broadly to mean all Kenyans. The more 'racial' term was Kenyans of 'Asian or 'African - origin'. It was admitted by a senior officer that Africanisation should be taken to mean all Kenyans. However he cautioned that there were those who would be considered 'genuine African traders'. These are the ones who are of African heritage. Among the Asians there was division of opinion. Out of forty-five Asian traders interviewed in Nairobi, one third agreed that the term should be used with a bias.



"It is necessary to help the black Kenyans. They have been discriminated before and if this government leaves them alone they will not catch up. However, they should not be encouraged to discriminate or harm the business of citizen Asians."<sup>1</sup>

This sympathetic group of Asians feel that for political expediency the term should be used with a bias in favour of blacks. However they feel that the policy should not be regarded as 'blacknisation'. They are more vocal and critical of the Asians. There are a few of them who argue that the policy should be more radical and be considered 'de-Asianisation' of commerce. They feel that 'Bombay-scene' should be wiped out completely. When asked whether they would prefer the term 'localisation' the retort was 'it is a black man's country and it should be a black man's economy.' Taking up this argument with the officers all agree that such term though popular domestically would be an international 'blunder' and would go a great way in harming the National image abroad.

The term Africanisation was often referred to as 'citi-zenisation' especially when dealing with visiting trade delegations. It was proper to use this term because every country aspires to serve its citizens. In practice the term differed. In allocation of the businesses left by the non-citizens, 'black Kenyans' were given priority. Some Asians applied, but only

very few. The reason for giving priority to the Africans was that 'they have been left behind for too long and the Asians and Europeans have had their share.' Again it was argued by one officer that out of 3,350 applicants only fifty were of Asian origin. The reason here was because the Asians had their businesses and also they bought some businesses from non-citizens before the latter are issued with the quit notices. This term should then be taken to mean the transfer of the business enterprises from non-citizens to Africans. Blackanisation or de-Asianisation would (and are) appear racial terms and unbecoming. It is also to be noted again that the transfer involves the shops previously owned by non-citizen Asians and Europeans and not those owned by citizens.

#### 7:2 THE METHOD: QUIT NOTICES

The Minister declares an area a non-general trading area and this precludes all non-citizens from carrying on business in it any more. Or commonly the legal notice declares a whole town or city a general area with the exception of certain areas which are reserved for the citizens. By the same power he declares commodities specified and these are again reserved for the citizens alone. These notices are gazetted in the Kenya Government Gazette; they are also published in the Daily Newspapers but the results of allocation of businesses are not gazetted.

Once the area is reserved for citizens the is reserved for citizens the Trade Officers in the District Headquarters compile lists of all the business that are affected by the ministerial order. These businesses are given Quit Notices and usually given a period of not more than six month in which to wind up their operations. In the same announcement the Minister invites the interested members of the public to apply for the shops.

### 7:3 APPLICATION \*

This must be done on a prescribed form issued from the office of the Trade Officer. The form has to be filled by the applicant and is written in both English and Swahili to allow for the applicants who do not understand English.

This turns the offices of Trade Officers into Centres of Activities. People from all walks of life - common people, teachers, University Lecturers; Company Directors, Army Officers, Civil Servants, Parliamentarians etc - fill the corridors of these offices. The business quit notices become issues of national concern. This is because they touch on everyone who wants to 'go into business'.

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\* The Form is shown in Appendix 5 (And also the Format of Quit Notice lists)

The Asians too start lobbying for their appeals. The offices of Trade Officers become the most important offices in the various towns. Telephone calls become too many. Other applicants carry small introductory notes from 'influential people', to these officers. Once the applications are received the applicants wait to be called for interviews - this is the formal way of the acknowledgement of their applications. It ought to be noted here that in a highly populated and competitive place like Nairobi there are many applicants.\* In some small towns there may not be enough applicants from that town and obviously applicants go from other areas.

I made a visit to one office of the Trade Officers and interviewed some applicants just before they returned their forms. This was done by talking to the 10th applicant in every group of them. Each day Four or five were interviewed and for the 10 full working days of the first

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\* It is estimated that in the Nairobi Trade Office an average of more than 100 forms were issued daily in the first three weeks during the last Quit Notice - 1973. In all there were more than 3000 Applicants competing for about 600 shops. The estimated number (3000) is for those who appeared for the interviews. It was difficult to establish the number of those who applied and their forms were not acknowledged or those who failed to appear for interview.

two weeks I managed to interview 50 applicants. I also carried their contact places for a future contact. At this time I was only interested on the hope they had that their applications would be considered and they would be invited for the interviews.\*\*

TABLE 7: 1

HOPE ON BEING INVITED FOR INTERVIEWS

A	DEFINITE YES	15	30%
B	MAY BE	10	20%
C	I DONT THINK SO	20	40%
D	INDIFFERENCE	5	10
		50	100

Later I visited the same group of applicants to test their predictions against what had really happened. All had been invited for interviews.

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\*\* This type of sampling is not the best, but it was the most practical under the circumstances.

7:4 (a) THE INTERVIEWS:

The interviews are done by a Business Allocation Committee. In Nairobi the Committee is chaired by the Provincial Commissioner (P.C) while at the Districts the District Commissioner (D.C.) chairs these meetings. The Trade Officers are present; the City Council or Municipality Officers; there are some civil servants, Police Officers; and Administrative Officials. The Police Officers are present to be used in case there is need for maintenance for law and order, (this term was not elaborated more than that.) This Committee has power to allocate the businesses to the various applicants. There is no appeal against these allocations by individual applicants, but the Minister could nullify the allocations if there are enough grounds to suggest that there was any malpractice. However such a case is difficult to establish. It takes many days to interview all the prospective applicants and at times the committee sits from morning to very late in the evening.

(b) CRITERIA FOR ALLOCATION

There are three striking criteria the interviewees have got to meet before they are allocated shops:

1) Finance:

Detailed specifications as to the sources of finance are asked for. It requires documentary proof of the

amount that can be raised from the sources(s) mentioned. These documents are required to certify that if allocated the particular business being asked for the applicant would be able to buy it. Most of the documents furnished during the interviews were bank statements or bank officers' letters stating the willingness of the bank to help the applicant were he successful. Other collected as many as 10 bank statements from various friends and they wrote covering letters that they would join the applicant in business or others stated their willingness to lend him money.

## 2. Management

The allocation committee wants to know the type of management envisaged. Except for those in permanent employment (whose businesses would be run by their wives or relatives) other stated owner-manager.

## 3. Continuation

The allocation committee is very interested in knowing whether the business would be continued or whether there would be establishment of new lines. The most favourite answer to such a question was yes. This was the desire of the Government and most applicants were aware of these.

The applicants were supposed to supply this information in their forms. However when they went for interviews they had

to answer some of the questions in their forms. I talked to the fifty applicants after the interview. On average each took five minutes in the office where the interviews were taking place. Most of these people were not used to office interviews: therefore they were not articulate and it can only be assumed that five minutes are not enough to discuss their applications.

TABLE 7:2

QUESTIONS ASKED IN 5 MINUTES

	QUESTIONS		
1	NAME & ADDRESS	50	100%
2	PLACE OF ORIGIN *	50	100%
3	TYPE OF WORK	40	80%
4	SOURCE OF FINANCE	10	20%
5	EXPERIENCE	-	-
6	TYPE OF MANAGEMENT	10	20%
	SAMPLE SIZE	50	100%

\* This question does not appear in the application form. Inquiring about its importance I learnt that for the Kenyans (Africans) it substituted for the section dealing with the citizenship status. However it was not a convincing answer. It could be inferred that the aim was to establish rural origin. This could be used in an attempt at a fair distribution according to districts or alternatively on a discriminative 'tribal' allocation.



From the above diagram and considering the fifty applicants it is apparent that the first three questions are the ones asked to all applicants. They are the most irrelevant if the aim of allocation is to give to the best applicant. In terms of achieving better efficiency or continuation of the same standard of service the last three would have been the most applicable. However this will be discussed later. It suffices to say that this section aims at establishing the need for the interviews.

The results of the interviews are not told to the applicant on the day of the interview. This is only communicated to the successful applicants who get the shops allocated. After the interviews the allocation Committee is supposed to sit and analyse the applications together with the information obtained during the oral interviews. This should form the basis for allocation. After the allocation of the businesses the 'successful' traders start on another long business. They have to negotiate the terms of transfer with the out-going traders. This is because the property belonging to the old trader must be bought. It should be noted that this is the most critical part of the transfer process. The New trader is not given much protection from the 'exploitation' of the out-going traders. Among the applicants interviewed only 3 of the 50 got shops. These were from group A.

I followed their negotiation machinery. It was difficult for them to bargain with the Asians. Apparently, there was some stock they would not have liked to buy, but then there was nothing they

could do. They had to buy fixtures; dead stock and such. The only guarantee they had was that should they fail to come to agreement a government valuer would be called in. The other negotiation was with the financiers who had promised them money. The fixtures alone counted for more than half of the loan they were promised. In fact one of the three 'successful' applicants found the going too rough and abandoned the venture. He invited some rich friends who bought the shop and gave him 'some commission'.

Once the negotiations between the New Trader and out-going one are finished then the new Trader takes over the business and the particular shop becomes Africanised.

#### 7:5 HISTORICAL SURVEY:

Since 1968 the Ministry of Commerce and Industry has issued Legal Notices that have defined the general areas and specified goods. The Legal Notice 88/71 defined major cities of Kenya. The Legal Notices of 1968, 71, 72 \* defined specified goods among them charcoal, biscuits bicycles, all essential foodstuffs

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\* For a full list of this see Appendix 6 - A,B, C,D

etc. In the space of 5 years between 1968 - 73\*\* the result has been as follows:

TABLE 7: 3

BUSINESSES REFUSED LICENCES UNDER THE ACT

YEAR	NO	%AGE
1969	1200	28
1970	900	21
1971	400	9
1972	304	7
1973	1500	35
TOTAL	4304	100

SOURCE: REPORTS FROM THE MINISTRY OF COMMERCE & INDUSTRY

It is important to point out that these quit notices per year were not all given as single batch. A case in point

\*\* The Minister stated that they would be given to 'genuine African businessmen'. In the same statement it was said that in 1975 another 300 businesses will be given quit orders. This brings another dimension to our Africanisation. According to the statement the owners did not have to be non-citizens. The question concerned licences. He stated farther that "...By powers given by the Licencing Act... and on behalf of the Government I have rejected all the appeals" (The Standard 22..2.75 Pg. 1) - 58 were involved in import licences racket and 11 in hoarding essential foodstuffs.

On April 18th 1975 the same Minister gave quit notices to 463 businesses throughout the country

is that of 1973. When only 418 shops were given the notices at the beginning of the year and about 1,100 others given at the middle of the year and given up to the end of that year to quit. This last one was the greatest single batch of quit notices ever given. It also coincided with the celebration of the 10 Great Years of Uhuru. Also these figures, while approximating very closely, do not give the exact figure for this would be difficult to get. There are those businesses that change hands over the years privately between different parties or others change the control of ownership to the legal requirement in order to avoid quit notices. In 1973 the legal notice also added curios, trophies, hides and skins, tyres and handicrafts to the specified list of goods.

The other major step of the 1973 order was that the Minister declared that all the local manufacturers were to appoint local citizen distributors of their goods. It had been hoped that by 1st April, 1974 this process of appointment would have been completed. However obstacles came on the way of this and its progress has been slower than expected.\*

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\* It has been found out that some companies appointed their former employees who resigned to take over distributorship. Also competition amongst applicant has made it very difficult for manufacturers to choose.

In 1973, 91 appeals were accepted. These were on the grounds that the quit notices had been issued wrongly. The ownership of these firms was more than 50% controlled by Kenya citizens. 11 businesses were re-licenced. This was because they were specialised businesses and there were no available Africans to take them over. They were of the nature of Technical engineering works; manufacture and selling of spices; engraving; special repair works.

It was also estimated from the figures above that about 50% of the shops given quit notices are in Nairobi. Also about 90% of all the business are in the main towns of Kenya viz Nairobi, Mombasa, Nakuru and Kisumu. It is also seen that 68% of all the quit notices as at the time of writing were given quit notices in the first four years (1968 - 71) of the operation of the Act: \*\* However, most of these 2500 shops given quit notices went back to the Asians (mostly Kenya citizens). This was because of the lack of interest on the part of the African traders then. Some who were allocated with the shops sold them back to the Asians.,

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\*\* It has been stated that by the end of 1975 (after the issue of the next 300 quit notices during the year) the Africanisation (citizenization!) process of the 'dukas' will be complete.

7:6 PROBLEMS OF AFRICANISATION: VIEW POINT OF OFFICERS

In implementing this policy of Africanisation the Trade Officers; the allocation Committee and other affiliated bodies face some difficulties. The transfer of economy would not be as easy as it sounds when viewed from a total social system. Business Community should be looked at with all the other interrelationships and interactions with the other social systems. There are the political, financial, ethic constraints facing both the officers and the new trader. There is the problem of setting an objective criteria on problems of social fairness and national equity. There are also other problems tied up with the political beliefs and expectation both of the traders and the officers. The problems will be outlined below as they were communicated to the author by these officers.

(A) WINDOW DRESSING PARTNERSHIPS:

The officers complained that this was the greatest problem faced by them. Asians being 'crafty' anticipated the quit notices and invited Africans to hold nominal directorships. They also sold to the Africans a small share of authorised capital and they themselves remained the sole owners of the working capital. They then used the name of these Africans in operating the businesses. This cases were discovered only out of quarrels during dividnends. As one officer put it these Africans who agree to be used come to us for help:

The new partners pay nothing at the initial stage. They only provide their names. However they are rarely paid dividends - their portion goes to the purchase of the shares which they had "acquired". Angered by this process the Africans go to the Trade Officers for help.

The other type of window dressing partnership is for the non-citizen Asians to be in partnership with citizen Asians. However they use the name of the citizen Asian. Most of the capital is then changed into 'loan' the non-citizens have offered to the firm. Thus they still maintain their control even though they have evaded the quit notice. Detecting this type of arrangement is rather difficult. There were not many concerns willing to discuss it yet there were some who frankly explained this procedure of circumventing the law, they themselves did not admit to be practicing it. It is also another scheme for the non-citizens to transfer the total ownership of the business to their children or other relatives who are Kenya citizens. They themselves merely ask for a work permit to work in those operations. Where they are not provided with that they get resident permits and reside with their relatives who are the new owners of the firms which are 'phony citizens firms'.

There has been a very strong case about this type of problem. But the solution to it was difficult to find in that most of the people (Africans) involved in this are said to be

generally people in high positions of authority. However it is not illegal in any case to have partnerships with Asians either citizens or non-citizens. Africans use their influence to secure the licence and the other party supplies capital. This is a case of mutual benefit viewed from the individual's point of view. But it is harmful to the aim of the Government because the citizens are only 'DUMMIES'\*

#### B) LACK OF CO-ORDINATION BETWEEN MINISTRIES

The Ministry of Commerce serves the quit notices; the Ministry of Home Affairs grants work permits and the resident permits. The same ministry supplies the Police force to track down crimes of all sorts including licence racketeering and commodity hoarding. The Judiciary under the Attorney General's Chambers prosecutes and determines other cases where the aggrieved parties may feel that their rights have been abused through discrimination or arbitrary arrests. These three Ministries rarely co-ordinate in terms of Africanisation of Commerce. While there are loopholes that allow for the circumventing of the Trade Licencing Act it is the Attorney General's Chambers that would draft the required

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\* Two cases of this nature were unearthed in Textile Trade. For a time the shop had an African name. Later when citizen Asians came in the Asian names were re-used



Amendments. While drafting they are more interested in the constitutional safeguards as opposed to political expediency or to the efficiency of the Ministry of Commerce doing its job. Here a conflict arises. What the Ministry of Commerce may want done - maybe through pressure from the Trade's and National Chamber of Commerce may be totally against the constitutional rights of an individual Kenya citizen. This is critical because the Law will look at the citizen while the Commerce Ministry will look at the African trader vis-a-vis the Asian (citizen or not!) trader. What constitutional privilege does one citizen have over another? again ours is a multi-racial society and must be viewed as such even by the traders. A law to protect them against other citizens is discriminatory and unconstitutional.

The same problem arises in the granting of citizenships. The Ministry of Commerce and Industry has no power over who gets a citizenship; work permit; or resident permit. The research revealed some basic factors affecting the smooth transfer and one of them was the citizenship status. It was alleged by some respondents that through political influence some non-citizens once given quit notices sought citizenship. Once this is attained then an appeal could be lodged.\*

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\* Such was a sensitive area and research was difficult. But it was almost an open secret that corruption in acquiring citizenships is very high. Some might argue that their applications have been submitted since 1964. However some other traders questioned the reason for their (applications being processed only at the time of quit notices. This statement can only be considered speculatively based on the available information.

However the gist of this section was to highlight on the lack of coordination between the three Ministries that would affect a transfer. It should be noted that the refusal of a licence is not a deportation order. One could still stay on in the country if one has the other required permits. This could be the way in which the Presidential decree was interpreted by the press "QUIT NOTICE TRADERS MUST 'PACK AND GO'" \*\*

### C) DE-AFRICANISATION

As noted in an earlier section part of the business allocated before the end of 1971 had gone back to the Asians. De-Africanisation is applied to mean the transfer of business back to an Asian whether citizen or non-citizen. In one case the African wanted to sell his shop to the highest holder. However because he had to get the permission from the licencing office he was ordered to get African buyers. No licence could be given to the Asian. This was only one case and it was a period when the Government had noted the problem and was aiming at curbing the practice. However before 1971 due to the fear of being 'ruined' by the Asian traders the Africans were offered an attractive bargain. Five Asians admitted having bought their business that way. They had given the African double the price he

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\*\* Daily Nation: 25.2.74 Pg. 1

had paid to the out-going non-citizens. To the African this was easy profit. The Asians admitted they were able to make enough profits to cover the 'profit' margin of the Africans. The Africans had gone into 'Bar' business and property and they too were doing well. Both parties of the bargain had benefited at the expense of the National policy.

But at the moment this problem has been fairly covered and its only indirect operation is similar to problem. The operatives in this scheme of deceit have been rigorously denounced in the press and in public platforms as "BUSINESS PROSTITUTES", who are considered antinationalistic by trying to thwart the Government policy. This could be effectively curbed from the office of Trade Officer who must issue all licences.

#### D) POLITICAL INFLUENCE:

In this section the political influence will only be discussed as it affects the allocation Committee. Its other facts and effects on others will be discussed later.

It has to be borne in mind that most (if not all) of those allocating shops are either civil servants, politicians or affiliated bodies. Their positions are dependent on the political patronage of power higher than them. In making

decisions to allocate shops they bear this in mind. This affects their decisions in that they cannot make independent decisions based on their best judgements and on the basis of those who meet the criteria. There are political factors affecting their decisions and at times the decisions they have to make are only on what power to obey. Applicants are given small introductory notes by 'political influentials'. Those who give the notes are also interested parties in the sharing of the 'benefits'. Besides the members of the Committees are also applicants of the same shops. In terms of an optimal situation it can be concluded that the interested committee members get shops; the influential people also get them; those introduced get the next lot and the shops to be shared through the set criteria could be the last lot (if any?) \*

In an attempt to research into the role politics plays in the allocation one interview retorted:

"What do we do? You want a shop and X wants a shop. I give the one with more power" <sup>1</sup> Another one questioned as to why he too felt he could allocate a shop to himself retorted:

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\* In the 1975 quit notice, coming after this was written, a survey showed that some shops were already allocated one week after the quit notice, before the interviews had been done.

"As a Kenya citizen I have the right to apply for a business After all even the 'big' people are entitled to a living" <sup>1.</sup>

Asked what he would advocate he stated that all the people who met the set requirements should be subjected to a ballot system like was done in allocation of some houses. <sup>\*\*</sup>  
This would lessen the feeling that they were merely doing a covering job.

It is noted that the competition for the shops is too high. The political influence or any other form of influence cannot in any way be seen in isolation. It has permeated into all sectors of National life - from selection of students to Institutions of learning, to job placement; to choice of development projects etc and therefore it is not in any way surprising to have it here.

Political influence is a way of life in Kenya. When the officers talk of it they mean those with political influence who interfere with their performance of the duties either expressly or indirectly. The applicants themselves also seek political influence. When some were called for interviews they went to their M.P.s or other politically influential<sub>s</sub> for introductory letters,

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\*\* This method was introduced by the city council in 1972 in the midst of a Housing Scandal. All eligible candidates had their names written on a small ~~paper~~<sup>papers</sup>. They were put in a rotating container and then<sup>a</sup> selected person picked up the number of the required papers. The successful applicants got the houses.

telephone calls or even to be taken there personally. Questioned as to why they think that as a better way of doing things they argue that they considered that influence was much more important than all the other qualifications.

In 1973 allocations the Nyanza M.P.s tried to assert their political influence in the allocation and even sought the nullification of the earlier allocation. They issued a press statement stating that:

"The Luo community in whose country this major town (KISUMU) is situated have not benefited. We are taking up the matter with the Minister for Commerce and Industry with a view of getting the recent allocation of shops in Kisumu nullified immediately"\*

The statement farther stated that this allocation was detrimental to Luo development. This statement brings rise to the other point of tribalism. In the case referred to the District Commissioner, as the Chairman of the allocation Committee broke down the allocations and showed that 34 shops had gone to members of Luo

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\* Daily Nation Sat. Nov. 17, 1973: The statement was signed by 15 M.P.s and headed by Mr. Ogunda.

Community and 3 to others. It was claimed right through the interviews that those with political influence could complain of misuse of powers or poor allocation whenever they are hurt (e.g. when they fail to get shops allocated to them). Whether such an allegation is the truth is a different matter. The above illustration is there to show the extent to which political influence can be used.

Tied up to this question of political influence is the question of tribalism. First it should be noted that the Government policy of Africanisation is directed against the Asian monopoly of commerce in Kenya. Should the procedure transfer the economy to another monopoly group then there is a danger. The difficult question for the officials is who to allocate the shops especially in large towns that have businessmen from all parts of Kenya. Such towns are Mombasa, Nairobi, Nakuru, Kisumu, Thika. The businesses should be allocated to the most promising applicants. But the complaint raised by the Luo M.P.s leaves a question as to whether the tribe in which land a town is situated should get the monopoly of businesses in that town. Asked this question the officials stated an emphatic 'NO'. The more liberal traders and citizens in these towns argued that everyone should have a chance. It is necessary to point out at this juncture that it was both difficult and politically sensitive to break down allocations along tribal lines. However to most traders there was a vehement feeling that the tribe

in that region should have preference. Otherwise there would be creation of another class of "black Asians."

In a country where tribal politics is the order of the day such a feeling is expected to exist. It is true however that the members of Kikuyu tribe dominate the business sector of Kenya. It was not possible or proper to break down the people allocated shops on tribal basis. But in a City like Nairobi the picture is apparent. In one street for every 10 shops 8 were owned by Kikuyus. There was an explanation for this in that the Kikuyu are and have been business-oriented right from the colonial and pre-colonial days. This alone made them outnumber the traders from other tribes. It was also found true that among the shops ran by Africans in Kisumu and Mombasa -- the towns far from their homes they dominated even before the policy was started.

It took the Asians nearly seventy years to entrench themselves in the business in an economy that was stratified on racial basis. It has been racial confrontation that changed the 'control'. Africans feel indignant about foreign businessmen in their midst while the Asian businessmen feel bitter towards the entrant 'ursurping' the control. Being a political



policy the effects of Africanisation on the future racial and tribal relationships should be carefully projected. But this could be better achieved if the whole of the economic planning and implementation of policies are geared towards national objectives. It appears strange that two national bodies would allow their branches to have a petition encouraging bribalism.

The KANU and the Kenya National Chamber of Commerce and Industry Kericho branch wrote a 'Kericho petition' to the Commerce Minister stating that:

"We are disappointed with the way the allocation Committee allocated businesses to traders. The 'genuine' Kericho district traders have had no fair shares of the businesses left by non-citizen traders."

If this type of feeling is allowed to grow it shows that the complaint in future would not be against the Asians but towards the African traders of the other districts. The solution could be sought hopefully in the restructuring of the allocation Committees to include members from various bodies to reduce any feelings of favouritism.

Members of the Chamber of Commerce, members from the Church; the judiciary, professional bodies etc should be

included to give the committed a credibility. This would help to dispel the air of 'corruption' that seems to be the major complaint.

E) LICENCE RACKETEERING:

Licence racketeering is a serious problem that tends to defeat the Governments' policy of Africanisation. It is even more serious because it is done by or in collaboration with those who are supposed to implement the Africanisation policy. This is the case because licences come from the same Ministry and from the same officials. Traders are issued with quit notices and through the 'backdoor' get other licences to operate businesses in the same town. They could close their shops and turn them into alternate businesses. The old trader moves and sets up another trading shop. They carry with them their clientele and they harm the business of the new trader. This problem arises because of the dual-licencing system. One can get a licence either from the Ministry of Commerce or from Municipal authority.

This procedure was criticized by the Nakuru Municipal Council. The Nakuru Municipal Council expressed deep concern and bitterness at the way non-citizens got licences after they had been served with quit notices. During the deliberations of this debate the District

Commissioner spoke in his capacity as a Councillor and stated that he was not aware of the licences even though he was the Chairman of the licencing committee in the District. The Office of the District Commissioner issued licences only with the approval of the Municipal Council:

"under these circumstances there is nothing that I can do since the licences are issued by the higher authority in Nairobi."

Among those who were trading again the licences were the old<sup>or</sup> because the Ministry of Commerce and Industry had accepted their appeals. The Council then criticized the Ministry. Similar cases were unearthed in Mombasa. But to most officials the blame was laid on Asians who were said to be trying to 'frustrate government efforts of transferring the economy to the Africans.' The cancer that would eat the pronounced policy is not with the Asians but with those citizen traders and citizen Trade Officers who connive at this illegality to circumvent the policy. There is no other way of fighting it except from within the same Ministry that tries to Africanise. This racket extends to the licences to import certain commodities. These licences to import hurt the Government policy of protecting the 'infant industry' or of encouraging local manufacturers be they foreign or Kenyans. This was explained by the Minister of Commerce and Industry Dr. J.G. Kiano when he closed

69 shops for racketeering:

"The racket of bringing goods into this country using fraudulent import licences is not only immoral and illegal, but also a serious danger to our local industries which employ thousands of Wananchi"\*

37 shops were from Nairobi (including SUPER MARKET LTD.), 1 at Thika; 20 in Mombasa. (these were the ones involved in racketeering. The rest 11 were closed because of hoarding essential foodstuffs).

However it is important to deal with the cause of the problem not the effect. Once shops are closed it is important to detect the particular officials who issued the licences and then punish them according to the law otherwise the problem will continue. It was claimed by a member from Nyanza in the National Assembly in the same debates that Kisumu was becoming a "Bombay of Kenya" where expelled Asians were going. A visit to this town made it rather clear that the racketeering processes could not go on without the help of African traders. In this particular town the traders concerned would get the licences and let them be used by the Asians (at a price!).

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\* See National Assembly debates: Friday Feb. 21, 1975  
(Newspapers on 22.2.75)

This is a question that affects the whole economic political scene in Kenya. It is difficult to aim at eliminating corruption in the licence offices alone without a clean-up aimed at all sectors of public life. Kenyanisation is a political polity that must be assessed both for political expediency and also for long-term economic benefits. The methods to curb corruption have been publically discussed, and commissions have been set, but it still remains.

One Trade Officer who feel strongly about this racketeering had, this to say:

"There is a 'mercenary' attitude among our people. They have lost the feelings of nationalism which should be the conerstone in all sectors of the country, be they political or economic. Some of these Asians come to us with letters from very senior people. Who are we to refuse them licences whatever our feelings? This is a national question?"

#### F) CONVERSION OF BUSINESS:

This problem ties up with the licencing officers. They are the ones who grant the licences for all businesses. Yet there are several cases of businesses that are converted from the original type of trade to another one.

In the licence rackets some non-citizen traders convert their shops into godowns or stores. Other African traders convert them into bars once allocated. It should be noted here that the Trade Officers are not responsible for liquor licencing. This is done by the Administration P.C.s and D.C.s. This is a problem because the need for Africanisation is not merely to transfer the economy, but also to see to it that the customers continue getting the services they had before. However the Licencing Officer does not have much power for preventing any interested trader to convert his business. But what concerns us here most is the conversion for the sake of circumventing the policy. In Nakuru there were five cases of shops that had been converted in this manner. But because the non-citizen traders had licences to do so it can only be seen as an extension of the previous problem. In this case the Asians converted their shops into stores just before the issue of quit notices. Two of these were however served with the notices. There were no applicants for the business because of its seemingly unproductive nature and they were re-licenced. Another one had been converted from a general shop to a specialised line dealing with glasses and due to its nature the owner evaded 'quit' notice. After the quit notices he started another line of the general retail.

G) LACK OF AFRICAN RESPONSE:

First, in some towns there is a lack of the general response by the public in applying for the vacated businesses. The second one is where the applicants are not the right people for the business line being 'transferred'. This was a serious problem found especially in Mombasa. Asked as to why this situation had developed in this town the P.C. had this to say:

" I am quite unhappy at the way the process has been carried out ... When you take the task of Africanising the businesses here in Mombasa, we have an international town where some businesses perform very essential and highly specialised operations. In my view these should be left in the hands of those who already run them until we have Africans who can surely run them successfully."\*

Going by this statement the reason for some businesses being avoided is their special type of operations they undertake. This then is counterbalanced by the competition

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\* MR. E. MAIHU: PROVINCIAL COMMISSIONER: COAST PROVINCE  
(SUNDAY NATION 24.3.74)

One such a case was established in Machakos where the officers had to appeal to people to come forward and take over businesses (this was in 1973 Quit Notice)

found in the simple-line business such as provision stores, and textile trade (Table). This type of situation can also be seen as a result of concentration of most facilities and population in Nairobi. While these other areas complain of lack of response, Nairobi complains of too many applicants; The table below tabulates the type of trades the respondents applied for in a sample survey of applications for 300 quit notice businesses:

#### 7:4 QUIT NOTICES & APPLICATIONS

	TYPE OF BUSINESS	No. of firms	%age of Total	No. of Applic.	Av. App or	%age of Total
1	Wholesale & Retail	21	7	19	1	2
2	Textile	120	40	425	4	42
3	Butchery	12	4	22	2	2
4	General Retail	15	5	144	10	14
5	Sundries	6	2	9	2	1
6	Kitchen & Household Utensils	9	3	11	1	1
7	Provisions	6	2	144	23	14
8	Radios, Taxes & Players	18	6	28	2	3
9	Records Stores	3	1	8	4	1
10	Chemists	6	2	9	2	1
11	Photographic	12	4	12	1	1
12	Hotels	12	4	31	3	3
13	Furnitures	9	3	22	2	2
14	Watches & Clocks	6	2	8	1	1
15	Shoe - Makers	3	1	10	3	1
16	Electric & Electronics	3	1	6	2	1
17	Hardwares	6	2	9	2	1
18	Cosmetic & Soaps	6	2	8	1	1
19	Bicycle & its spares	3	1	11	3	1
20	Fancy Goods	6	2	22	4	2
21	Suitings & Outfitters	6	2	9	2	1
22	Book Stores	3	1	7	2	1
23	Musicals	3	1	7	2	1
24	Jewels	3	1	6	2	1
25	Service Station	3	1	15	5	2
	TOTALS	300	100	1000		100
				1*		2*

SOURCE: AUTHORS CONSTRUCTION FROM RECORDS AVAILABLE



- \*  
NOTES: 1. From the list 1 selected the first 1000 applicants and they had all covered the 300 businesses in question.
2. The percentage has been rounded and therefore may not necessarily add up to 100%
3. Averages are rounded up for simplification.

From Table 7:4 we can then see that in absolute terms 42% applied for Textile trade; 14% for General retail and provisions. However, it is also seen that these types of trade were the most numerous in the list of the quit notices. It is best to derive supplementary tables to be able to read the picture more clearly. The tables below are in the order of import.

TABLE 7: 5

## QUIT NOTICES: (TOP: 10)

	TYPE	%age of Total	Absolute Nos.
1.	Textile	40	420
2.	Wholesale and Retail	7	21
3.	Radios etc	6	18
4.	General Retail	5	15
5.	Butchery	4	12
6.	Photographic	4	12
7.	Hotels	4	12
8.	Kitchen & Household Utensils	3	9
9.	Furnitures	3	9
10.	Provisions	2	6
	TOTAL	78	234 out of 300

- N.B.: 1. The above diagram takes the top 10 types of business into consideration. This is important to show that they alone constituted 78% of the total quit notices.
2. No. 10 the provision among many others with 2% for the sake of comparison with the following diagrams

TABLE 7:6

APPLICATIONS: (TOP: 10)

	TYPE	Ave. No. of App. for 1 shop	%age & total app.
1.	Provisions	23	14
2.	General Retail	10	14
3.	Service Station	5	2
4.	Record Stores	4	1
5.	Fancy Goods	4	2
6.	Textile	4	42
7.	Hotels	3	3
8.	Shoe-makers	3	1
9.	Bicycle and spare parts	3	1
10.	Furnitures	2	2

NOTES:

1. No (10) Furnitures are chosen out of a group of many items bearing 2% each because of its average is nearly 2.5. Also the furniture trade is on the increase now that most traders have realized that it is lucrative. In a further survey I have noticed that more shops have converted into furniture stores especially the "Sofa Seats" and "Dining tables".

It was also important in that in the informal sector industry especially Gikomba in Nairobi the industry is quite large.

TABLE 7: 7

APPLICATIONS IN ABSOLUTE NUMBERS:

(TOP: 10)

	TYPE	No. of Applications
1.	Textile	425
2.	General Retail	144
3.	Provisions	144
4.	Hotels	31
5.	Radios, tapes, etc.	28
6.	Butchery	22
7.	Furnitures	22
8.	Fancy Goods	22
9.	Service station	15
10.	Photographic	12
		865 out of 1000

ANALYSIS FROM TABLES.

1. From table 7:6 it is seen that we cannot consider the percentage of the absolute applications without considering the number of shops available. This is shown by the case for textile. This has the highest percentage number of applicants yet it is not as competitive as provisions with only 14% of the total. (see also fig 7:7)

2. The competitive nature of any businesses to be discerned from the applications can only be noted by considering table 7:6 which shows the average number of applicants for one business served with quit notices.
  
3. The table show that provisions are highly competitive. Followed by general retail. The reason for this was found to be that most of these applicants were 'risk - averters'. They wanted to take the line of business for which there was ready market without any need for their initiative. These figures are those for 1971/72 and at that time textile was not competitive. However, by 1973 the applications for that period showed that textile had taken precedence over all the others. The nature of price control for the general provisions had discouraged many traders in that there was no room for bargain. Textile to this day of writing remains outside the price control and hence the response is explained by the nature of wide profit margins.
  
4. Service stations had been applied for by the richer traders and out of the 15 applications for these businesses 10 of them were by more than 4 people applying jointly. This is because the capital required for the purchase (transfer) of the businesses was high.

5. For wholesale and retail there was lack of good response. It was a case where there were less applicants than the number of businesses. There was a balance of 2 shops not applied for. This again was because of the capital required on the one hand and the nature of business on the other. According to one officer the trader found it "too complicated for their handling".
6. From table 7.5 and 7.6 the following businesses appearing in 7:5 were not applied for in the top ten applications.: Radios, tapes etc; butchery; photographic; wholesale and retail kitchen household and utensils. Except for the butchery these others lacked quick response because of their rather technical nature. For the butchery I learnt that they were the "high class" butcheries requiring certain high standards of hygiene and which provided all the types of cuts of meat and therefore required butcher who would produce certificates or certificate of the one person expected to employ.
7. In the place of the five omitted the following had been included in the top 10 list of applications: service station; record stores; Fancy goods; shoe-makers; bicycle and spare parts. All these types provided good profit margins; they are easy to deal with and they are less risky.
8. From table 7:4 the types of trade with the lowest average number of employees per one shop are: Wholesale and Retail;

- Kitchen & household utensils; photographic; watches and clocks; cosmetics and soaps; jewels; musical; book stores; suitings and
9. Outfitters; hardware; electric and electronics; chemists. The reason for the lack of good response towards this has been regret.
  10. This type of response creates difficulties for the trade officers in that they have (a) to try and share fairly the shops that are highly competitive and (b) encourage people to take the more difficult ones. The latter becomes a critical problem in that even the more educated traders who would be expected to apply for these shops still compete with the less educated trader for provisions. Also the richer and more influential compete for the same. This statement is true even though it was not necessary to show the income of the applicants or their positions in the society. The financial data was provided, but the position in the society could be searched by locating a few individuals.
  11. In order to encourage the Africans to the more difficult lines of business it was found through discussions with the different groups involved that the government was participating more actively. The traders suggested that the government or the I.C.D.C. take some portion

of the business and put it together with the aspiring trader until he proves able to stand on his own and then sell it to him. However, the officials stated that this was double-help. First by allocating the shops and giving the loans the government was putting too much to the trader. He should be left alone. But for the sake of consumer welfare and in order to provide him with the services it appeared proper for the government to devise another method of 'Africanising' the more complicated business. One method suggested is that the person being served with quit notice could be induced to help the aspiring successor. He could be allowed a longer period of grace say 3 months when they would work hand in hand with the successor for the latter to learn the intricacies of the business. Alternatively he could be guaranteed a better price or any type of inducement. This would give the new businessman a chance to stay with him.

It was also found proper for the government to give quit notices of the "more specialized" lines of business at a separate period. This would allow only those with special knowledge or keen interest to apply without congestion of the traders from the provisions and general retail group. The rest of the group would have their time. This gives the trade office time to concentrate on one nature of business at a particular time and therefore, could give advice to different groups at different times.

CHAPTER 8PROBLEMS OF AFRICAN BUSINESSMEN8:1 INTRODUCTION

As indicated in an earlier section most of the problems facing the African businessmen today have many of their origins in the colonial era. They have been greatly enhanced by the pattern of neo-colonialism in the ownership of resources and means of production. The colonial pattern had the economy divided on racial lines and left the African in the periphery of the economic sector. His contact with this sector was in the near slave relationship in the provision of labour. It is then little surprising that the lack of entrepreneurial skills, lack of capital, contact with the relevant parties are not weaknesses inherent in the man. They are partially creations of his historical past and therefore an offspring of the colonial times.

The "vicious circle" that haunts other development segments is also apparent in the business sector. Due to lack of financial skills the Africans have difficulty to manage the capital they have. They have little capital of their own and lack of borrowing power. They buy in small quantities and therefore do not make use of economies of large scale. They often run out of stock thus annoying customers and as a result their businesses suffer in competition with the more experienced Asian businessmen.



The information comes from a survey of 160 businessmen allocated their businesses since the enactment of the Trade Licencing Act 1967. The survey has been done in the four major towns. Mombasa, Nairobi, Nakuru, Kisumu and other small ones and is fairly a representative sample of the African businessman's problems.

Asked what they considered to be the greatest handicap facing them these businessmen mentioned capital as the major one followed by competition from Asian citizen traders; rent, and lack of skills. However, my discussion starts with other, less obvious, smaller, obstacles, but which appeared to be affecting the business as much as those declared bigger problems. Later the discussion looks into Finance which was a problem for virtually every trader.

8:2 NEGOTIATING TERMS OF TRANSFER

The African businessman is beset by problems at the very earliest stage when the business is allocated to him. He alone negotiates with the outgoing Asian the price at which the business is to be sold. It should be made clear here that the process of transfer with respect to inventory honours the right of private property with respect to inventory and therefore gives the Asian six months in which to finish his stock. The African businessman is at a disadvantage while negotiating the terms of transfer. In fact out of 160 interviewees 130 of them (80%) had not bargained. They took the price stated by the out-going party. This lack of negotiating power is explained partly by ignorance and partly by the Asian craftiness. The African is ignorant of valuation methods of business while the Asian has extensive experience. The Asian probably has a Chartered Accountant's Report showing the valuation of the business. The African is uncertain about hiring his own accountant or business consultant. Alternatively the Asian businessman leaves all the matters to his lawyers and professional consultants and the African may not even be aware of the need for a lawyer to help him. The other explanation is partly excitement. Having been allocated a business among so many contestants the African feels that conquest is enough and all the remaining job is to fetch the funds to buy out the Asian.

There is also the fear that should he falter others who can afford the money will come and take over. It is of course <sup>difficult</sup> to measure the extent of the excitement of the successful applicant and in fact less so to know how such an excitement can in fact 'impair' his negotiating faculties. This was merely an informed judgement after interviewing a group of applicants who had failed. They would have given double the prices the successful applicants were giving. The repayment period, the rate of return were of secondary importance.

Given this setting the successful applicant will tend to overlook the significance of price. The other important factor is that the Asian businessman leaving knows the competitive setting and tries to make use of this knowledge to get a good price for his business. The fact that some of those who acquire businesses have gone through the back-door reduces their bargaining power through the knowledge that they were not necessarily the best, but rather the 'luckiest'.

Those who decide to negotiate to the hilt and who disagree are availed of a government valuer who assesses the value of the business. Of course his work is not final and the Asians' valuer could call for independent valuation by other bodies. However, they rarely reach this 'impasse'. Asians demand a deposit from some 'new owners'. Whatever the use of the deposit is not clear, but most of those Africans who agreed to pay it stated that they found it

unnecessary to keep on negotiating every little point. After all the Asians give the excuse of preparations to leave the country sooner or later.

Leaving these negotiations between the two parties is rather hazardous and the weaker party is open to exploitation. It is not surprising then that they may buy the businesses at more than the correct value. Since 1973 goodwill was to be omitted from the valuation. Before this the Asians added an 'exorbitant' goodwill to the value of the business. The banning of goodwill was contained in Ministerial order. Only 10% of the businessmen interviewed knew the concept of goodwill before taking the businesses. And even currently only 50% knew how to assess or what was meant by the term 'goodwill'. Again leaving these traders makes them buy dead (unmoving) stock from the outgoing Asian and therefore find it difficult to change this stock into money. Even though fixtures and furnitures, shelves, are included in the valuation it was found out that 30% of the traders had bought these items on separate terms, their predecessors having told them that these were not included in the valuation. It would be a better method for the Ministry to negotiate the terms and the values of all the businesses being transferred and leave the successful applicant the simple job of paying the owner. The Committee allocating businesses would be in a better position to set terms that are favourable and acceptable to the two parties.

In a Ministerial directive the Minister for Commerce and Industry gave seven points to be considered by both parties during negotiation. It is important to outline them. They were aimed at effecting a smooth transfer while avoiding the problems stated above:

1. Both parties should make sure that the landlord does not issue an eviction notice to the business after take-over. This is necessitated by the fact that the owner of the business is not necessarily the owner of the building. This will be discussed farther under rent.
2. The suppliers of goods to these shops including local manufacturers, and overseas Companies who have appointed them as their Kenya representatives must pass on the priveleges and the benefits that they did to the former non-citizen traders. While a good and very considerate point this is difficult to enforce especially as regarding overseas companies. It will be discussed at length under supply.
3. The new trader approved to take over the specific business should not change his line of business without prior approval from the Ministry of Commerce. This important point helps in diversification and continuation of customer service. This prevents the traders from crowding in a few popular lines leaving the others. Yet this policy seems not to be strictly

adhered to as shown in Chapter 8 under Conversion

4. The value of furniture and fittings which the new trader agrees to pay for must be worked out by a qualified valuer; otherwise the new trader may pay exorbitant prices for second hand fittings. The same should apply to permanent machinery.
  
5. No increase of rent is allowed. This was stated in view of the fact that some traders negotiated new rents as soon as they were served with quit notices. This point is farther discussed under rent.
  
6. No payment should be made on 'goodwill'. A quit notice shows that the owner of the business has failed to co-operate with the governments earlier appeal to initiate local participation.
  
7. Co-operation during negotiation<sup>is</sup> essential because the new trader must have access to the records and relevant documents of the firm.

However, the enforcement of such a directive is not guaranteed. Point 7 is of significance in that most of the new traders just go to an empty shop with only a few items and they dont know anything or where to start. Only

about 50% (of 160) had been shown documents. There were those Asian traders who sold there documents. Of course the African could report them to the Government, but they found it better to buy them before they were destroyed. The new trader cannot compel the outgoing one to show him the documents.

It is to be noted that negotiations could take a long time and the business could remain closed for several months after the expiry of the licence of the Asian trader. This period could be farther prolonged by the time the new trader takes negotiating for the loans from his financiers.

land furniture	6
3. second hand clothes	5
5. fish, rods & traps, traps	2
7. fish stores	7
	<hr/>
	20

All these shops were now closed not the types of businesses that existed before the take-over. Fish stores were found in 12 cases and 4 of the shops had been garages before, the other 8 had been spare part stores while the last one had been a timber store. The answer to the question of the change was that

The business in fish is competitive and makes one realize profits early.

8:3 CHANGE OF LINE:

The Ministers directive No.3 above states the need for permission before change of line. This is a good point, but rarely do the Trade Officers refuse a licence to change. From the group of interviewees 40 traders had changed their line of business. There were some genuine reasons why they had changed. However, the business carried in these new lines were:

1.	Groceries and provisions	-	7
2.	Bars and restaurants & lodgings	-	3
3.	Music stores	-	4
4.	Second hand furniture	-	6
5.	Second hand clothes	-	5
6.	Milk, soda & cake shops	-	8
7.	Fish stores	-	7
			<u>40</u>

All those above were new lines not the types of businesses that existed before the take-over. Fish Stores were found in Kisumu and 4 of the shops had been garages before; the other 2 had been spare part stores while the last one had been a timber store. The answer to the reason of the change was that:

The business in fish is competitive and makes one realize profits early.



The other type of business on the increase is bars & restaurants and lodgings (brothels). Side by side with these are untidy meat roasting butcheries mushrooming all over the country. Bars and lodgings make money (and easy money) no doubt. Besides they do not require any stock that could go bad nor do they require chasing of source of supply. Beer is readily available and the customers are available. But bars make even more money when there are lodgings. This has been the craze in the new "money-making" business. In one small town (district headquarter) there were an average of one bar (lodging & restaurant) for every four shops. Most of the bars had juke-boxes and half of them had one section for the 'home-brewed' beer (KARUBU).

Groceries and provisions goes together with the shops for sodas, milk and cakes. The latter are favourite spots for the low-income workers during the lunch hour. The fact that milk and soda have controlled prices leaves the cakes to make exorbitant profits. Besides the element of profit they provide easy money and quickly. One can sell a whole days stock. But again there was some drag in these shops in that the few I visited which are nearby the Asians or the more educated African traders baked their own cake and thus made large profits. The others bought ready made cakes and therefore did not provide

them hot although this did not affect their profits.

On similar increase was the switch to fish and chips shops to provide food for lunch.

The music stores were the other businesses that had been switched to. Records are easy to sell and besides they are popular with the young generation. It is not surprising then to find that in Nairobi's Luthuli street the noise of the records blares from all the sides.

This problem of changing the line of business is a challenge to the Trade Development Officers. To allow these shops in one street to be changed from textile to Music stores is doing disservice to the customers. There is also the change to second hand items which traders have discovered are not controlled and therefore are a source of "quick" money. The traders should be discouraged from this trend. This is training them to be less creative and risk-taking. The professional services like hair cutting and such should not be submerged at the expense of music store. This problem can be controlled from the root by refusing any licences. The challenge goes to the officers and the government to determine whether it is 'merely black skins' required behind the counters or whether the customer is well cared for. After all the aim to Africanise is to allow the African to take control and wrench the economy

from the "exploitative Asians". What of the new traders? They have no more right to be exploitative. A licence should not be changed before five years elapse when the new trade should be tested and 'tried'.

Some change the lines because they cannot continue with the type of business. Those who are left without knowledge of the source of supply especially when the business involves importation have no alternative. Some Asian dealers in clothes especially suits have their own tailors who fit them. Should a new trader take over and he has no knowledge of tailoring then the obvious thing is for him to change the line. These are especially in case where the businesses are upstairs. These are service businesses and require some expertise in the nature of business going on. Therefore the new trader changes into a bar which is the obvious choice for a business upstairs.

SIZE OF LAND: ACRES	NO OF HOUSEHOLDS	YIELD
1/4 - 10	40	25%
10 - 20	35	22.5%
20 - 30	15	9.3%
30 - 50	20	12.5%
50 - 100	15	20.1%
100 - 200	5	1.5%
200 - 1000	2	1.0%
TOTAL	100	100%

### 8:4 TRADITIONAL ATTACHEMENT and VARIED INTERESTS

It may appear a misnomer to use the term traditional attachment after eleven years of Independence. However a peoples traditions and customs may promote or hinder their business management practice. These also determine the degree to which they become adoptive to other ideas of management. They may also affect the nature of devotion or attention given to the business, other attendant behaviours are like credit giving and the degree to which they chase their customers for repayment. This section discusses the traditional variable that seem to affect the nature of businesses looked at.

(a) ATTACHMENT TO LAND: All the businessmen interviewed had land. Some were even big farmers and land was more important to them than the business. The table below tabulates the size of land ownership

TABLE 8: 1

SIZE OF LAND: ACRES	NO OF BUSINESSMEN	%AGE
Below - 10	40	25%
10 - 20	34	21.3%
20 - 30	15	9.3%
30 - 50	20	12.5%
50 - 100	45	28.1%
(ESTATES)		
100 - 300	4	2.5%
300 - 1000	2	1.3%
TOTAL	160	100%

NOTES:

The large estates were communally owned and held on co-operative or partnership basis.

To the African land is still an important asset.

The money earned in the city or the money gained from the business finds its way to the country side to buy a piece of land. Those in business and had no land had aspirations of going out and buying some when they had made enough money. This however is explained by the fact that those who are in business are generally people whose families are in the country side and therefore live there far from them. This means that land becomes an important source of income for those at home and the income from business helps in adding to the family resources. Most of these businessmen had either coffee, tea, or other form of cash crops in their shambas at home. They have to spend money from the business to maintain these crops. The businessmen then would occasionally rush to their shambas to see how they are and to suggest other areas of development. This then divides the devotion that could be given to the business allocated to the trader because he must also think of the land. Those richer businessmen are the ones who own estates of coffee tea and the like. Some have bought them as shareholders of co-operatives or in small partnerships. Money from the business and that from land often gets mixed up and there are not necessarily separate accounts for the business and land.

It is the younger businessmen who showed the real commercial spirit and who were interested in expanding their enterprises and if need be to Industrial area where they would become manufacturers. The reason for this is that these people have accepted that their lives are to be spent in the town and are therefore determined to create a livelihood for their families here towns instead of the countryside. They also live with their young families and their children have started schooling the towns. They have no other sources of income and therefore are devoted to whatever they are doing and have genuine desire to expand it.

This attachment to land, though traditional can also be associated with the rush that developed soon after independence. Everyone wanted some piece of land in the former "White Highlands". Most of this land is owned by the top elite of the society and they are the same people controlling the bigger businesses and top positions either in the private sector or in the public service. Those others who have made money through business then join hands with these elites and buy land. Land is even more prestigious than business and more so the land that has been developed with large tracts of cash crops. Those who run hotels require land to grow their own provisions for the hotels and most do so.

It is however, important to note that this ambition to own land will hamper the development of a real commercial class that is determined to make business their livelihood. But with the dwindling availability of land and its speculative nature will tend to deflect the efforts to the business. Again as will be discussed later under finance, land has other use for African businessmen. Land is the only available security in borrowing money for the businesses. In fact 95% of those interviewed had used their land as security. The younger businessmen who are landless used their parents 'title deeds'. This makes the position rather risky in that the business must make enough to pay for the loans otherwise the only land the family owns would be threatened. Due to the traditional attachment to land it is not fair to use the land titles for loans other than those that go to developing it.

There were many who were not permanently devoted to this job, but rather stayed here as a temporary measure. Their efforts in the running the business will be directed under the heading of part-time business.

When the relatives went to the city to look for employment they lived with the owners of the business and live out of it. This way they are then called in to assist. It was found out that a small furniture store had six people in

(b) FAMILY IN BUSINESS

In all the businesses analysed in this study there were members of the owner's family working as assistants or as managers. Those businesses jointly owned had more people working in them than they required. Each partner had a relative or two who was employed. This problem can best be analysed in the light of the employment situation in the country. For the Asians the family got together to provide capital and management of the business. They pooled resources together and formed a family concern. However, to the new African trader business is not financed through family pooling resources together but rather through loans. Yet the businesses employ (keep) relatives because they have nothing better to do. Among the assistants in the shops were sons and daughters waiting for examination results or waiting to get regular employment. Therefore, they were not permanently devoted to this job, but rather stayed here as a temporary measure. Their effects in the running the businesses will be discussed under the heading of attitude towards customers.

When the relatives went to the city to look for employment they lived with the owners of the businesses and live out of it. This way they are then called in to assist. It was found out that a small furniture store had six people as



attendants. This did not improve the sales. If anything it made the place rather crowded and could at times discourage customers should they find them engaged in noisy, argumentative discussions.

The other significant point is that the authority of the owner is not effective. The very fact that these relatives may not necessarily be subordinated to the owner through kinship ties makes it difficult to order them about. The very fact they are not necessarily his children or wives, or younger brothers, makes it rather touchy if he tries to be bossy. They could easily complain that he is looking down upon them. There is the other notion of either trusting them too much to the detriment of the business or lack of any trust for them that makes them annoyed and suspicious. Even though they employed their relatives because of the traditional ties of extended familism 80% of the respondents said they would prefer to work with strangers:

"Relatives expect too much from you. They also think you are obliged to help them and they do not want you to 'order' them. So the business may suffer while you watch. When you show as if you are helping them they want to show you that they are working to make you better than one." <sup>1</sup>

The traders expressed their disappointment in the way the relatives attended to customers. More so it was disappointing in that relatives are hard to fire without reckoning with the wrath of the family. The fired relative would easily 'damage your image' in the family circles. At the same time they become a problem to the other employees in that they expect to be respected because they are relatives of the boss. These assertions were investigated and to a large extent the traders had a case.

However, the more prosperous businesses were those whose partners were relatives and whose management was left to the husband and wife. The reason for this is that there is no employer - employee relationship and the feelings of antagonism do not exist. The partners become devoted and share their duties equally. If any of the children work in the businesses then they respect the authority of the partners because one is a father and other perhaps an uncle. There is genuine interest and a chain of command is established. This resembles the organisational structure of Asian businesses where the father is the head and the other members of the family obey him in business as they do at home.

The very fact that relatives know their boss right through the early years and that they know how he has

risen up makes it difficult for them to be respected by them the way the other employees do. One relative had this to say of his boss:

"Is he not the very person who was going in torn clothes the other day? If he has risen this far even we others can rise.<sup>1</sup>"

(c) ATTITUDE TO CUSTOMERS:

Attitude to customers lies very closely with the above section because it is those who work in the business that come into contact with the customers. Also it ties with the next section because those who own businesses together with other interests employ people who run them. This is one of the greatest menaces facing the new trader although in many cases he is not aware of it. The customer - relation is a marketing concept which should be the first thing to be introduced to the new trader. It is on the customer that he relies for the success of the business and therefore the way he treats him matters.

Unlike other countries in Europe and North America the trading behaviour is largely conducted on bargaining tactics. This then makes it imperative for the trader to speak nicely to the customer. Only in a self-service, or departmental stores where an indifferent attitude could be maintained and expect favourable sales because

the customer will know the price from the list and then pick those items that he can afford (or he requires). In other businesses it is the bargaining prowess that will determine the profits a business will make. During the survey it was found out that only 30% of the new traders welcomed the customer once he entered while virtually all Asians surveyed would welcome, greet, the customer, and if the trader had another customer would ask the new arrival to wait for 'a minute'

In some shops it was disappointing to find that the 'boss' would sit at the corner and when the customer entered not knowing who was the 'boss' would go to him only to be directed to the employees. This attitude annoyed customers. In other cases the trader would be engaged in conversation (on the telephone) and instead of talking to the customer as soon as he entered he would first finish the discussion then talk to the customer.

In one music shop the customer complained that the attendant was rude. The customer had waited for five minutes while the shop attendant went on taping music in<sup>a</sup> small tape-recorder. Asked why he had adopted that attitude to the customer he stated that the customer had not said what he required. He did not find (know) it was his duty to ask the customer what he required. He

was not aware that this was a rude attitude and he did not realize that he was offending the customer. Other shop attendants are outright rude especially where they are relatives of rich businessmen and they have no persuasive skills. They state their prices as a finality and when the customer attempts some bargaining they return the item to the shelf. A customer disgusted by this type of attitude observed that:

"Our people have a long way to go. They think we are obliged to buy from their shops because they are black. It is our money and we are not bothered about colour. If an Asian serves me well then I buy from him.

Another customer stated that 'look at the way they stare at you when you get in. They want you to acknowledge that they own the business they forget that without you they are out.'

These comments cannot be applied to all the businesses because there are some who have learnt to attend to their customers very well. However, those mainly affected are those businesses ran by employees in the absence of the owners. It is an important thing for the new trader to understand that there is need for promoting ones goods

because of competition from other businesses. Attitude to customers is one way of promoting. There was a genuine underlying lack of knowledge on how to treat customers. This can best be learnt on the job rather than through any formal discussion in the classrooms. It is dangerous to be satisfied by mere presence behind the counters while the customers move to other traders.

It was also found out that where there were many relatives working together in one business there was poorer attitude towards the customers. They had too much to discuss together and it was possible to hear them 'debate' on who is to attend the customer. Also they showed less concern, when the customer left without buying, than that shown by the Asian traders. The Asian could follow the customer to the outside. The Asians also reflected another co-operative attitude in that should the item required be out of stock in his business he would direct the customer to another shop (of a relative or friend) and at times takes him there personally. This encouraged the customers.

Tying up with this is the treatment of customers who are relatives. The businesses survey revealed that there was a bias in favour of giving credit to the customers who

were relatives. Out of the total credit (value) 60% of it was more than two months old. Asked what they would do the traders stated that they would merely wait for them to pay. It would harm their businesses to take them to court. Besides they still gave credit because of desire to expand. Even where they had been given post-dated cheques some would 'bounce' and they stood to lose through credit to relative customers or to friends. Asked why they could not have refused them credit at the beginning one answered that:

"It is your cousin or your best friend. You trust him and you see he has the need. Why refuse him. Besides you talk well and you agree. Everytime you meet he tells you he will give you the money. You cannot push a friend or a relative too far. One day he may be in a position to help you."

Other businesses had given credit to people in respectable positions. They had failed to pay for some months and this harmed the business. A trader had to choose from a terms-cash policy and have lower sales or the extreme and relaxed credit policy and make losses through bad debts. Given the financial constraints facing the new traders I would advocate a 'terms cash' policy. This is because the replenishing of the stock is necessary at

all times and that delaying in payments could easily land them to problems. The problem of credit is even more enhanced by the fact that a trader might employ relatives who when asked for credit by other relatives find it difficult to refuse because they assume that the boss would not have refused such a relative credit terms. This attitude is also entrenched by the behaviour of rural traders who although they may refuse him to carry the product if he has say 60 cents instead of 1/00. It is accepted that one should not let others suffer.

But the trader could cultivate good relationship with his customers by attempting to build a clientele without necessarily giving credit. This could be done so by treating them well and giving them the services they really require.

(d) VARIED BUSINESS INTEREST

In the survey it was established that most of the Traders interviewed carried on more than one line of business.

The tables below contrast African and Asian traders in their search for divergent business activities.



TABLE 8:3

OTHER BUSINESS OWNED: (AFRICANS)

	OTHER BUSINESS OWNED	NO.	%
1	NONE	30	19
2	OF SAME LINE	87	55
3.	OF DIFFERENT LINE	95	60
4	SMALL COUNTRY SHOP	110	64
5	WHOLESALE ( SAME LINE)	6	4
6	TRANSPORT	70	45
7	BIG FARM	25	15
8	MANUFACTURING (SAME LINE)	6	4
9	BARS & HOTELS	96	60
10	PROPERTY OWNERSHIP	111	64

SAMPLE SIZE: 160

NOTE:

- (1) The questions were not mutually exclusive and any one trader (firm) had a chance of being in any group and therefore the total need not add up to 160. Each question was analysed out of 160 respondents.
- (2) Question 10 of Property Ownership was of property other than the one in which the business was operated. This was especially the "blocks" for renting in the residential areas of different towns. This excluded the living house owned by the respondent.

TABLE 8:4

OTHER BUSINESSES OWNED: (ASIANS)

	OTHER BUSINESS OWNED	NO.	%
1	NONE	15	37.5
2	SAME LINE	22	54.5
3	WHOLESALE ( SAME LINE)	23	57.5
4.	WHOLESALE (DIFFERENT)	5	12.5
5.	MANUFACTURE (SAME LINE)	21	52.5
6.	FARMS	3	7.5
7	PROPERTY *	5	12.5

General Notes:

1. The ownership of other businesses discussed included partnerships jointly owned, either with the same partners or others.
2. For wholesale it included those with a joint Licence of Wholesale and Retail even though operated in the same premises.
3. Manufacture included such small manufacturers as the textile retailers who owned tailoring joints in the backrooms and therefore making their own 'ready-made' clothes instead of buying from the manufacturers in the Industrial area.

It is seen from the tables that only 19% of the African traders and 37.5% of Asian traders did not have divergent business interests. It was also observed, though not indicated in the tables that the most successful, shops and those with growth potential came from this group. It was apparent that those other interests other than the particular business surveyed distracted the trader from the business. Often these businesses were left to the employees or relatives while the owners travelled from one business to the other.

Those with concern in the rural areas had spent their business profits (towns) in investing or expanding their rural concerns. Most of these rural concerns were operated in their own buildings. They had put up impressive buildings in the rural areas. Questioned as to why they invested so much capital in the rural areas and whether they were concerned about the return on capital invested they conceded that it was necessary to have a base at ones home. They distrusted concentration of property in towns alone:

"Anything can happen in the town and then you may have no place to go back to."<sup>1</sup>

It was more for security than for return. It also made one appear as though he had not 'ran away' from home.

It also gave one prestige and a place to return to during retirement. Except for the younger traders who had no base at rural areas the others had the idea of returning there in the retirement. This then made them travel between these businesses. There were those others who had come to the towns after trading in the rural areas for many years. They had 'graduated' from the countryside to come and invest the profits in the new concerns left by the non-Africans.

It was also observed that African traders tended to be more divergent than the Asians. For the Asians 54.5% carried on the same line in the other businesses and only 12.5% carried on wholesale of different line. Manufacturing concerns owned by the Asians concerned were all of the same line as the trade carried in the retail outlet. However, those who had any manufacturing concern were 52.2% of the total. Only 12.5% of Asians carried on business in property as compared to 64% of Africans. There were many African traders (60%) in Bars and Hotels while no Asian trader surveyed had this type of business. The Africans concerned with wholesale and manufacturing were 4% only.

The African traders stated that they had gone to property because it was speculative and of high demand especially in the large towns. Rent was high and not easy to control and therefore they could make more money than in the business.

Bars, Hotels and Lodgings make easy money as is observed in an earlier section. This is totally a different line from that most of the traders were engaged in.

However, besides being profitable businesses there was the other major reason that businesses were available. For those with money and connections these lines were open to them and therefore they kept on trying this line from this one. It was also evident that they were too impatient and instead of ploughing back their profits so as to expand the businesses they wanted to go to new lines. This was the nature of acquiring businesses and land described as "grabbing" by some parliamentarians. There were too many of these opportunities coming at the same time and therefore tending to confuse these traders. However, their businesses suffered for this interest in different lines. Even though they had different lines they still controlled each line personally. Except in very few concerns ran by the more educated who left them to managers (especially Asian or white managers!) the rest exercised personal control. They would still go and collect the money realized during their absence. These traders were afraid that they would be cheated should they stay for long spells of time before they visited their businesses. Those educated who left their managers could exercise

control even though not participating personally. Besides they were people with authority who were helpful to this Asian/European managers in one way or another. This group of traders is also the same class of people who own large tracks of land in the Rift Valley besides holding high positions in either the private or the public sectors. They are rich and they are not 'bothered' by every cent. They are the class of "telephone" - farmers or "telephone businessmen". Those among them who owned property had it handled by their Estate agent and their lawyers. They are educated enough to know the value of these professional services as compared to the other less educated group that suspects the "book people". While this educated group has no free time to run the businesses fulltime basis the others spend their time travelling.

In an interview with a shop assistant employed in one such a shop of a 'telephone Businessman' the respondent informed me that on average the boss rang five times a day from a government office while his wife, a secretary in a private firm, rang six times to the shop. Another secretary in Government office complained that in one day she made calls to suppliers, customers; bank officials for her boss - all business calls other than those the

two are employed for. This particular officer owned four shops in the City besides some other interests in the Industrial area and some houses he was trying to get a Company lease for.

There is the other group of businessmen who are the retired employees. They go to the business because of availability of cash. They also have various business interests and patronships. They spend a lot of time in meetings with other partners and have to leave the business surveyed several times to attend these meetings.

It should be cautioned here that this nature of Africanization without a check on the diverging business interests is dangerous and contrary to the spirit of creating 'genuine African Traders'. First it does not train the owners of these concerns to become developed entrepreneurs, because they do not deal with the day-to-day management of the concern. Secondly it does not train the shop assistants either because the owners are afraid to employ them as full-time managers with full control of business and decision making. Third it does not offer a chance for the expansion of the businesses available and a utilisation of maximum capacity. In most concerns observed there is a lot of excess capacity which could be utilized instead of dividing the efforts and time to another concern. Apparently the traders

did not calculate the return they would get from the other business as opposed to an expansion of the same concern held. During the time of allocation a 'one-man-one-business' policy should be looked at. But most officials are opposed to this type of policy because they feel that they cannot prevent those with money from investing in whatever lines they thought were necessary. But the observation of these officials can only be accepted with some reservations. In a society like ours which is in its transitional and formative stages there has been a lot of talk about egalitarianism. This if effectively implemented will prevent those with money from 'grabbing' all the businesses and running none of them properly hence the detriment of the customers. In the earlier years the monopoly was with one community through a 'cartel' system to exclude the other races. Is the policy to allow the passing of this cartel to another group of people and worse still who are not doing a s good a job as their predecessors? Whereas it would be not proper to talk of equality it is necessary that for the sake of themselves and the economy there should be control over the businesses that one trader can have through the Africanization policy.

It is also important for our African traders to realize



that businesses cannot be ran as a part-time activity for any serious businessman and expect any profitable returns.

FINANCING (and CREDIT) PROBLEMS

THE PROBLEM

Most of African traders interviewed stated lack of capital as their major problem. Some noticed only this problem in isolation of any other. They stated that with enough money they could be as successful as any other trader. The nature of this problem is that of total dependence on the government for financial support. Having been out of the commercial world most of them have not developed good business relations with the commercial banks as a source of credit. They have also tended to rely too much on 'influence' to secure loans instead of using their credit-worthiness. The Commercial Banks have been more careful when granting credit to the African businessmen. This includes the government-owned development banks and government owned lending bodies. Tied up with this problem is that of lack of good management and skills in the running of the businesses which they put the available money to less productive uses. The lending bodies have tended to concentrate the loans on land and real property which are investments that are less risky than a commercial enterprise. The insistence on security as collateral for loans has been seen as another practice preventing the Africans from getting enough funds because of lack of sizeable land or other security in order to secure credit. However, there are some Agencies established by the Government in order to help the indigenous businessmen

CHAPTER 9FINANCING (and CREDIT) PROBLEMS9:1 INTRODUCTION:

Most of African traders interviewed stated lack of capital as their major problem. Some noticed only this problem in exclusion of any other. They stated that with enough money they could be as successful as any other trader. The nature of this problem is that of total dependence on the government for financial support. Having been new to the commercial world most of them have not developed good business relations with the commercial banks as a source of credit. They have also tended to rely too much on 'influence' to secure loans instead of using their credit-worthiness. The Commercial Banks have been more careful when granting credit to the African businessmen. This includes the government owned development banks and government owned lending bodies. Tied up with this problem is that of lack of good management and skills in the running of the businesses which they put the available money to less productive uses. The loaning bodies have tended to concentrate the loans on land and real property which are investments that are less risky than a commercial enterprise. The insistence on security as collateral for loans has been seen as another problem preventing the African from getting enough funds because of lack of sizeable land or other security in order to secure credit. However, there are some Agencies established by the Government in order to help the indigenous businessman

9:2 DISTRICT JOINT LOAN BOARDS: (JLB)

These boards were established before independence to provide credit to small African businessmen who did not qualify for I.C.D.C. loans and had no access to the Commercial Banks. Payments are generally against the suppliers invoice and the contribution to the boards was to be partly from the local authorities and partly from the Central Government. During the early days no security was demanded but later land titles became the security to be provided by the applicant. The District Trade Officers recommend those to be given the loans which do not exceed Shs.10,000/- and are paid back in 2 - 3 years.

An example of this type of loans is the Nairobi Special Loans Committee. In its formative stages it was stated that:

"Loans will be made at the discretion of the Committee to African Industrialists, Artisans and businessmen in cases where normal Commercial credit channels are not open to them, and will provide the opportunity for Africans to gain commercial experience and enable them to play their part in the industrial and commercial life of the community...., loans granted by the Committee will be used to buy stock in trade, tools, machinery and equipment. Loans will NOT be granted to buy cattle, land or other agricultural or building items" \*

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\* East African Standard July, 15th 1960

It is understood that continuously the Boards carry on the purpose for which they were created. There are, however, a few requirements to be met by a loan applicant. He should:

- (a) Have established himself in an industry, trade or business and shall have indicated through his efforts that he has the necessary ability to operate his business with a reasonable measure of success or shall have a suitable qualifications granted by a recognized technical school.
- (b) Be able to satisfy the loan authority that he does keep simple books of account.
- (c) Be required to give an undertaking that he will devote his full time in the business for the purpose for which a loan is made and that he will not operate through a nominee.
- (d) Have a lock up place of business for his exclusive use.

The problem with the laid down regulations is that it is not easy to follow-up and determine whether any of them is being violated. Once there has been allocation of the loan no follow-up is done and hence it is not surprising that there has been defaults.

Between 1965-71, 8,144 loans were issued and by the end of 1971, 5,644 were still outstanding whereas 2,652 loans (amounting to Shs.3,862,434/-) were in default. This default reflected on those with payments overdue for more than one month.

TABLE: 9: 1

TRADERS DEVELOPMENT LOAN PROGRAMME:

DEVELOPMENT EXPEDITURE 1973/74 - 1977/78 KE 000

DEVELOPMENT EXPENDITURE:	1973/74	1974/75	75/76	76/77	1977/78	TOTAL
K. £	300	400	450	650	900	2,700

Source: Development Plan 1974/78 Pg:

Over the years, however, the loan from DJLB has become increasingly difficult to get as competition has sharpened. Besides there is the problem of it being insufficient to buy enough stocks especially for those with little savings.

In Nairobi in 1973 a total of K.Shs.1,000,000/- was approved by the Committee for 113 traders. But in the same period there was a default of K.Shs.375,000/- in repayment.

TABLE 9: 2

TOTAL ANNUAL GOVERNMENT GRANTS TO DJLB/TOTAL ANNUAL  
ADVANCES BY THE DJLB - 1965-71

K. SHS.

	1965	1966	1967	1968	1969	1970	1971	1965-71
TOTAL GOVT GRANTS	283,205	1,060,197	1,277,595	1,250,000	2,310,000	1,700,000	1,840,000	9,720,987
TOTAL ADVANCES	609,287	1,671,194	2,396,233	1,785,593	3,057,352	4,014,156	4,097,792	17,631,607
CAPITAL REPAYMENTS	633,687	755,810	1,102,225	1,253,680	1,361,744	2,108,075	2,201,395	9,416,611
NET ISSUES*	- 24,395	915,384	1,294,008	531,913	1,695,608	1,906,081	1,896,397	8,214,996

(\* NET ISSUES = ADVANCES - CAPITAL REPAYMENT)

SOURCE: Date compiled by Mrs. BURKE DILLON, RESEARCH ASSOCIATE  
at IDS. 1971 - 72: Quoted in OCASSIONAL PAPER NO. 6 of 1973)

9:3 INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION (ICDC)

This Corporation was started in 1954 as a statutory body under the Industrial Development Act to facilitate industrial development. Later the term commercial was added to the body so as to cover the traders. The resources of this body come from the Kenya Government, East African Development Bank and other lending agencies. In 1970 alone it gave K.£ 2,045,000 to traders and had a monthly turnover of K.£ 500 per month. This corporation gives loans for commercial purposes and also for the purpose of acquiring property. The rate of interest for these loans is  $8\frac{1}{2}\%$  and the repayment period starts only after 3 months of grace.

ICDC has subsidiaries like the Kenya National Trading Corporation KNTC (discussed later.); the Kenya Industrial Estates Ltd. and the Kenya National Properties Ltd. This last subsidiary was formed in 1967 (April) with a purpose of developing of commercial centres in various towns where premises will be let to African businessmen at "reasonable" rentals.

The ICDC gives loans (commercial) for three years. Industrial and Equipment loans are given for 5-10 years with period of grace upto a maximum of 12 months. In order to give the loans the ICDC relies on the recommendation of the Trade Officer also verifies the property being offered as security; and the commercial bank are asked to provide information as regards

the credit worthiness of the applicant in question. Table 9:3 shows the approximation of the passing of Trade Licencing Act. These loans are those concerning small commercial activities:

TABLE 9: 3

SMALL COMMERCIAL LOANS:

YEAR	AMOUNT (K.£,000s)
1967	128
1968	233
1969	485
1970	882
1971	2,282
1972	3,000
1973	3,985,000
1974	5,000,000

SOURCE: ICDC BOOKS and also adopted guidance from I.D.S. occasional Paper No. 6 for years (1967-70) Pg. 81

The accelerated rate of loans from 1972 reflects on the increased demand by the new African traders who have been taking over from the non-Africans. It shows how dependent they generally are on the loan from the I.C.D.C.

However, the ICDC has tended to concentrate on the transfer of property (commercial) from the hands of Asians to Africans. As a result alot of capital has been tied up in these premises.



Out of the 40 Asians interviewed only 10 had loans from the ICDC and all these exceeding K.Shs.50,000/-. The rest stated that they had no problems in securing credit from the Commercial banks. However out of 160 African traders all had applied for loans at one time or another. Only 50 of these had their loans approved. Some had got loans from DJLB and others from the commercial banks.

It was argued that ICDC helps the already established traders with the loans because it is not willing to take risks. The loans from this corporation have become difficult for the traders because they too have to produce security and a long process before the approval or rejection:

"It took me six months to get my loan approved. I had to see them every week and later they only approved half of what I had applied for (30,000/-). It is a difficult job seeing these people in offices.<sup>1</sup>"

That was sentiment of one trader who had sought a loan with the ICDC. The same problem of 'connections' come up again. 30% of the traders told the author that they could not apply for the loan any more. Each had made more than two unsuccessful attempts. They had given up. Before application for the ICDC loans one has to be in business for at least a year. It was also found that the ICDC bureaucratic red tape misplaces some loan applications and the applicant may take months while

still waiting for the form to be traced. The late replies to the traders affect the businesses in that loans may be approved when the prices have already gone up. The reliance on those within the power structure and able to influence the approval of loans has been a detriment to the traders. They spend too much time chasing these "contacts" instead of improving their businesses to become credit worthy. For commercial business again 100% security is required while for any loan to buy out the outgoing Asian the applicant has to provide 30% of the capital required. The loans therefore go to those richer traders who would qualify for the commercial loans. These stringent security requirements and the reliance on influence leaves only the rich and politically influential, but hardly the best in business, to get the loans with relative ease. The rural areas and small traders in smaller towns expressed open dissatisfaction with the ICDC and appeared to be in a state of chaotic despair.

In certain cases the loans of the ICDC are tied to the suppliers invoices. It becomes difficult for the recipient to choose his own supplier. There are those usually recommended by the loan officers. The traders complain about this system because to them it appears that these officers recommend those suppliers with whom they collaborate. The suppliers inflate their prices leaving the burden of payment to the traders.

Table 9:4 distributes the respondents according to their sources of the loans:

TABLE 9: 4

LOAN ALLOCATION.

SOURCE	AFRICANS		ASIANS	
	NO.	%	NO.	%
DJLB	65	41	-	
ICDC	50	32	10	25
COMMERCIAL	30	19	30	75
NONE: DUE TO LACK OF SUPPORT	15	8	-	
	160	100	40	100

Source: Author's Calculations

Notes (1) There were some with loans from two or three bodies. I grouped each one according to the source from where he had got most of the money

It can be noted that only 19% of the African traders had loans from Commercial sources as opposed to 75% of the Asians. The reason for this was seen as the lack of confidence in the commercial banks among the African traders who apparently believed that because of the nature of control by foreigners, of commercial banks, they are not a good source of funds. In fact 50% of these traders had applied for loans from these banks but only 19% had been approved. It was noted that the traders had not established business contacts with the managers of the banks where they deposited their money. This development can be blamed on the Government for encouraging the African traders to rely too much on the ICDC and the DJLB loans. Apparently the African businessman feels a stranger

in the commercial banking circles where it is book and academic language. The traders, however, should seek closer relations with the banking systems and ask for help where necessary. They should learn to operate day-to-day cash receipts and through the bank in order to show the nature of their businesses to their bankers. They should also keep good books of accounts so that the bankers can have enough knowledge of their businesses.

Land as security seem to provide a rather serious problem. People are attached to land and they do not seriously think that, when they give their title deeds as securities for loans, their land can be sold in case of failure. The Government then is left as the carrier of risk because the trader looks to it for protection while the commercial banks also look to it for protection against default from those given the loans. Institutional rigidities should be relaxed so that the African businessmen are able to borrow without alot of difficulties. The system of assessing the provision of 10 - 25% of the loan he requires as a criteria for those who should succeed is not a good system. It does not show that anyone providing 10 - 25% is any better than those who do not provide. It should also be made clear to the traders that loans are not free gifts and they have to be repaid. As they should be cautioned that it is dangerous for them to become "...too pre-occupied with the acquisitions of loans to the extent of neglecting other factors that contribute to the

success of a business venture..."

"....We suggest to the African businessman to ponder the joke made on the Asian businessmen that they had too much pepper in their meals so as to eat little in order to save more"\*

At the same time it is best to caution the lenders that financing a business alone is not effective unless a follow-up is made of the way the funds are being spent. It is also necessary to note that some businessmen complainig of lack of funds have enough funds only that they mismanage through such procedures as buying dead stock. Inadequate managerial and technical skills are often connected to financing problem. The bodies giving the loans should at the same time provide services that are necessary in management and production techinques, resolve marketing bottlenecks and assess the entrepreneurial capacity among the loan recipients.

Competition with other traders for loans should be allowed to exist in order to give loans to those with credit worthiness. However, the banks which are largely foreign controlled should be pressurised by the Government. Any trader who does not have access to quick overdrafts as availed by these commercial

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\* KINYANJUI & GAKURU: AFRICANISATION OF COMMERCE AND ITS EFFECTS on COMMUNITY RELATIONS: I.D.S. 1973. Pg.9

banks may find it difficult to operate. These banks should be the in the long run; depending on the way they are treated by the Government. The special loan schemes for the Africans gives these banks the notion that lending to Africans is risky and the African feels that he is an inferior trader who can only use the Government to mediate for him. This to me does not provide good basis for the development of indigeneous businessmen, creative, innovative and risk-taking. It is a question of mutual confidence; Banks should have confidence in African traders and they in turn should have confidence in the banks. The banking system in Kenya needs a complete overhaul to eliminate the racial bias. The managers and other bank officials should assess the businesses personally especially those in their towns and those that they feel doubtful about. Unfortunately bank officers, let alone managers, like all the other offsprings of our colonial system are hard to see. They are not accessible to the businessman as much as they would be helpful. Loans still are a 'great favour' in this country and therefore its not surprising that the bankers receive various presents, during festivities, from the businessmen as tokens for gratitude.

The Africans should be initiated in the mainstream of commercial life and this is the best way to cultivate confidence in them and in the banks. National resources should not be devoted for too long supporting economically unviable businesses, be they owned by citizens or not. It is imperative that

after 10 years of independence the businessmen should have learnt to be 'truly' independent and run profitable operations side by side with other citizens not of African origin.

9:4 KNTC and OTHER SUPPLIERS as SOURCE of CREDIT

Kenya National Trading Corporation was established in March 1965. It's objectives were inter alia;

- 1) Assisting African traders in the participation of the country's economy with particular emphasis to distributive trade.
- 2) Assisting Africans to participate in the export and import trade as this was (is) dominated by non-citizens and foreign owned companies.

The body was a subsidiary of the ICDC. It appointed 20 distributors or agents at its inception and gave them to African businessmen. The sole distribution of specified imported and/or locally produced items. However, it started with generous credit policy to the traders and in a short while incurred £ 1,000,000 of bad debts. It stopped the credit procedure and now sells for cash. Due to the same financial problems and lack of credit worthiness about 15% of the agents appointed failed to start off. Between the years 1965 to 1973 it grew from a turnover of £ 10 million to about £ 60 million. This included direct and indirect trade. With the trade directly handled by the agents the growth has been from £ 8 million to £ 29 million in 1973.

In 1965 it started by handling sugar alone. Then added rice, secondhand clothing, Khangas, nytil Jinja and drills. In 1966/67 period the corporation handled seven items. By 1967/68 the corporation handled twelve items, by 1972/73 financial year the corporation was handling more than 50 commodities, and had increased depots to 27 (more than) with 1000 agents.

KNTC was accused by several traders of malpractice in appointing agents. Although the accusations could not be ruled out altogether some were hard to substantiate.

There are those who accused the corporation because they failed to secure agencies. However even those who get the agencies find it difficult getting the products from the manufacturers because some of the manufacturers are reluctant to let their products be handled by African distributors. They defeat this policy by demanding cash payment before the agent carries any products. This is a serious handicap because other wholesalers could get as much as 90 days credit. This would allow the distributor enough margin so as to give their customers (the retailers) 60 days credit. The retailers who operate credit terms could give their customers 30 days credit and a smooth running of the trade could be effected. This is another method of financing trade by offering credit.

Competition was experienced greatly in the wholesaling or distributive sector. Not only was it confined to the KNTC



agents but in the overall economy. The African businessmen felt frustrated in this sector much more than in the retail area. The Asian wholesalers have the advantage of having Asian manufacturers. They normally get the products that are highly demanded. The Asian wholesalers did not complain of any problem in credit. However, the African argued that some manufacturers demanded that they pin cheques together with 'orders'. This to them was a move to strangle them and force them out of the business. The claim was corroborated by some trade officers who admitted that cheque be pinned together with the order.

This left the African retailer, seeking to buy goods on credit, with an open alternative to go to the Asian supplier. In this connection it can be argued that this is where the "problem" complained of by the Africans - that of price-undercutting came in. Because the Asian could get access to cheaper sources of supply the could manage to sell at lower prices. Some African wholesalers complained that they got the goods at retail prices from their sources. This harmed their businesses. It should be noted that there it no minimum price control and the Government only controls the upper limit. In that case the Asians could manage to compete effectively with the Africans by selling at lower prices.

This was one source of strained community relations. African traders aiming at making higher profits to meet their ever-increasing costs asked higher prices for their products. Asians managed to sell more cheaply either through 'sale' or through 'reduced' price. Asians also engaged in price 'espionage'. An Asian could tell the customers how his competitors were selling the same product. At times he could state the prices in the whole street. The African feels rather at a disadvantaged position, and he (African businessman)

"...sees himself as the victim of racial collusion - offered worse terms, cheated in price and quality, subjected to unfair competition"\*

Like the banks, the source of supply fails to provide the credit the trader would need. In an attempt to assess whether this was illusionary or real problem it was collaborated to a large extent. The manufacturer's argument was that he was interested in getting his product in the experienced hands and could not trust it to an entirely new entrant to the game. When he gave a new trader the product he also preferred to have another older and more established one dealing with it so that it could sell. The manufacturer was more worried about his manufacturer competitor and would not bother about two competing distributors or retailers as long as they were dealing with his products.

"Give some of these new traders your product. They don't even have any vehicle to transport it and you will see them take ages to dispose of one ton. They would soon send you out of business."<sup>1</sup>

This was an Asian manufacturer and certainly he was presenting the sentiments of many others.

9:5 FINANCING PROBLEM - RENT

Rent is a big problem for African businessmen. But this problem of landlord - Tenant relationship should not be seen in isolation, as regards the Commercial Sector alone. This is a problem that affects the residential houses even much more acutely because apparently the landlords have the upper hand in spite of the Rent Control Tribunal. Of the 160 African traders interviewed only five (5) carried on trade in their own premises. Of the 40 Asians traders 35 owned the premises they worked in and the rest 5 traded in premises owned by their relatives. To the Asians the rent was more of a book-keeping than of a 'real business' problem. All those African traders paying rents paid advance rent between 3-6 months. The rent among the respondents was K.Shs.1,000/- and the highest was K.Shs.6,000/- per month. The fact that some of the business premises had of late changed hands from Asians to Africans had worsened the situation because for all those whose business premises had changed hands (68 traders) rent had gone up. It became increasingly difficult to prosecute in the real life because as trader wanted to have poor relationship with his landlord who more than often retained (or desired to retain) the deposit for water and power as a mechanism through which he could catch the tenant. Should the landlord desire to cause hardships to the trader he would only refuse to pay the water and power bills and these services would be discontinued. Because

traders were aware of this only five cases of this nature were admitted by the respondents. These had been victims at one time or another of this scheme, they had gone to their landlords 'humbly', yet the law is there as it is laid down below.

#### BUSINESS PREMISES RENT TRIBUNAL

This was started in 1966 as a result of a Commission of Enquiry which was set up by the Ministry of Commerce and Industry soon after Independence Landlord and Tenants Act was passed in parliament in 1965 as a result of this Commission from which the Tribunal got its powers. The objectives of the Tribunal were:-

- 1) To help the tenant avoid unlawful evictions.
- 2) To help the tenant avoid increase in rents to exorbitant rates without proper assessment.
- 3) To deter landlords from taking the law into their hands for selfish motives.

Historically the rent control went as far back as 1940 when the first Ordinance regarding control of Rent (and mortgage Interest) was passed this ordinance directed that rent should be based on market cost of construction plus a percentage of land value. In 1949 increase of rent was further controlled for both Commercial and residential premises except for those with annual rental of over K£.500.

According to the Landlords and Tenants Ordinance of 1954 the aggrieved parties were to refer to Court and this Court was to determine what it considered reasonable rent. In 1956 and 1959 these were other Ordinances but they were not significantly different from that of 1954. The Commission had recommended the formation of a tribunal because:

- 1) Very old buildings whose costs had already been recovered still commanded high rent.
- 2) The small business man could not survive if he was to pay high rent as his profits would be swallowed by the rent alone and he was not in a position to construct his premises.
- 3) The Landlord - Tenant relationship in Kenya was on racial lines with all landlords being Asians.
- 4) There was need for an impartial body to deal with any disputes between two parties.
- 5) There was need to permit evictions without notice and
- 6) There was need to establish who would meet the cost of repairs.

Those of the Commission who had opposed the formation of such a body for controlling rents had argued that: -

- 1) This control would stifle the construction Industry.
- 2) They should follow the laws of supply and demand in fixing the rents.

- 3) The control gave too much protection to the tenant without considering the landlords interest.
- 4) There was need for landlords to be allowed normal economic readjustment especially of inflationary nature.

The Tribunal is composed of

- 1) Chairman
- 2) 3 Assessors: By December 1973 2 were M.P.s and 1 businessman.

The headquarters are in Nairobi although the tribunal exercise a circuit system sitting in all major towns of Kenya.

S(7) of the Act gives the conditions under which a tenant can be evicted.

- 1) If he does not pay rent regularly for 2 months.
- 2) If he does not maintain property as he found it.
- 3) If he does something that affects the status of the property e.g. damage or renovation.
- 4) If he committs a breach of his tenancy e.g. renting the premises for one purpose and using it for another.
- 5) Where the owner of the premises wants if for his personal use he can give the trader a notice to terminate the tenancy under the grounds that he will use it. However, there is a point to this Section that he (the owner) must have owned the building for at least 5 years (past).

- 6) For any rent increase there must be 2 months notice and the landlord should apply to the Tribunal which had to send its valuer.
- 7) There is no permission for deposits, but rent has to be paid in advance at the beginning of every month.
- 8) Should the owner demand any deposit the tenant has to pay and then appeal to the Tribunal. If accepted he stays for that period covered by the deposit without paying any rent.
- 9) The 1970 Amendment gave the Tenant power to ask for the assessment of the rent. Before this time only the landlord could ask for assessment.

The major problem concerning rent is ignorance of the parties both landlord and tenants and therefore keep threatening one another. There is also lack of confidence, ~~corruption~~, but top of all absolute competition for businesses premises. This demand makes the landlords over confident that they can always secure tenants at higher rents and makes the tenants afraid of pushing for the legal rights. Besides the tenants too offer the other difficulties in that they fail to pay in time and regularly for business problems. Other tenants may rush away after accumulation of overdue rents and this prompts the landlords to demanding advance payments (deposits) even



though not provided for by the law. The Tribunal can give rent distress warrant to attach the property of the tenant; it could also authorise repairs where the landlord has refused to undertake it and could get the costs deducted from the rent. Over the year the Tribunal has handled an average of 750 cases per annum.  $\frac{1}{3}$  goes to Rent;  $\frac{1}{3}$  on rent distress and  $\frac{1}{3}$  to general complaints by either party. There have been cases where tenants have been forcibly evicted by the landlords illegally. As one landlord put it:

"we have to do this. That is why we spent all this money and we want this person to get out so that we can use the premises ourselves. We are Africans and Kenyans, not the Asians they kept threatening."1

The major weakness of the Tribunal is that it must co-ordinate with the Ministry of Home Affairs for implementation of its decisions. Besides one can also appeal in a Court of Law. It is not surprising then that most of the tenants are at the mercy of the landlords and there is not much they can do under the circumstances. This is a question of law and only through proper co-ordination of the Ministries concerned can a solution be sought. It would however, be proper for a body like ICDC to own business premises and then rent them out to the traders. But this seems to violate the national policy of respect to private ownership of the property. An effective Africanisation

policy should have a closer look into the nature of this problem because allocating businesses without proper control of rent does not seem a worthy course.

An entrepreneur needs three kinds of skills:

- (a) A practical imagination which enabled him to recognize opportunities for at least in his own world of business.
- (b) An ability to order the day-to-day routine of his business so that every job required for, employees have their work, orders are received and fulfilled, the plant repaired and serviced;
- (c) and enough general knowledge to support these first skills since even the most imaginative organizer is helpless without information.

Most of American traders are said to lack business skills. American formal education beyond simple writing, reading and arithmetic may not be necessary to the state of businessmen as they are doing. The skills they lack are those of handling customers, getting supplies, seeking credit and the like. These cannot be learnt in a classroom they can only be learnt in the business. It is reported that a trader should know the economic trend of his line of business. For those in mercantile trade they should be concerned about the fashion. This will then make him able to answer that amount of a particular stock to order at any one time. Arrangement

CHAPTER 10LACK OF SKILLS AND TRAINING10:1 INTRODUCTION

"An entrepreneur needs three kinds of skills:

- (a) A practical imagination which enables him to recognize opportunities new at least in his own world of business.
- (b) an ability to order the day-to-day routine of his business so that money is accounted for, employees know their work, orders are recorded and fulfilled, the plant repaired and serviced;
- (c) and enough general knowledge to support these first skills since even the most imaginative organizer is helpless without information"

Most of African traders are said to lack business skills.

However formal education beyond simple writing, reading and arithmetic may not be necessary to the class of businessmen we are discussing. The skills they lack are those of handling customers; seeking supplies; seeking credit and the like.

These cannot be learnt in a classroom they can only be learnt in the business. It is important that a trader should know the economic trend of his line of business. For those in textile trade they should be concerned about the fashion. This will then make him able to assess what amount of a particular stock to order at any one time. Arrangement

of stock on the shelves is of important to the trader. 75 of the 160 traders interviewed did not care about the arrangement. In that case they would take some time before they located an item required by a customer. These small intricacies of a business are hard to learn in a classroom. 80% of the traders interviewed had not gone beyond four years of formal schooling 10% had never gone to school at all. This appeared a handicap to them in that they could not speak 'English' fluently. This they said was the language in the many offices where they would require help. Half of the respondents were actively involved in the struggle for Independence either in detention or in the forest during the MAU MAU years. Those who could read well had improved their education at home, in the evenings. It is therefore proper to state that the people who went to business are generally the less-educated. We should note that even the "telephone businessmen" who are educated and highly placed in the society, leave their businesses to be run by employees. This leaves the actual day to day management which requires skills of an entrepreneur in the hands of people of the same skills as those running their own businesses.

Whereas on average the Asians in business are also less educated than the others in professions they have had a long experience in trade. 30 out of 40 interviewed had started trading in their parents' stores at a very early age. They had inherited

the businesses from these parents or gone to start their own after more than 10 years of experience. They had learnt most of the skills in the business.

However, the Ministry of Commerce and Industry sponsors short courses or seminars for Traders through the Trade Development Officers. Unfortunately the traders find the courses too long and they find it difficult to leave their businesses to attend them for 2 weeks. The other problem about the courses is that they tend to be too academic. They are given by people who have had good education - maybe Commerce graduates from Universities. They fail to identify the problem of skill that affect the businessman. They deal with such different topics as: Marketing Theory; Basic Theory. Topics even the academicians find difficult to understand. This has been why past officials training have recommended extension services. The traders themselves make little use of the Trade Officers. They rarely go there for advice except when going for loan accommodations or for Licenses. These officers are also supposed to arrange follow-up of the courses; inform the Ministry of the local trade; advise the local officials; pass on information of interest to the traders. They rarely do this. None of the respondents had ever been visited by any of the Trade Officers except when they go to check on price control violations. The traders

10:2 TRAINING AFRICAN BUSINESSMEN

Training a businessman is a very difficult job because a formal education-type in classrooms may not be the best thing. However, the Ministry of Commerce and Industry organises short courses or seminars for Traders through the Trade Development officers. Unfortunately the traders find the courses too long and they find it difficult to leave their businesses to attend them for 2 weeks. The other problem about the course is that they tend to be too academic. They are given by people who have had good education - maybe Commerce Graduates from Universities. They fail to identify the problem of skill that affect the businessman. They deal with such different topics as Queueing Theory: Game Theory.\* Topics even the academicians find difficult to understand. That has been why most scholars training have recommended extension service. The traders themselves make little use of the Trade Officers. They rarely go there for advice except when going for loan recommendations or for Licences. These officers are also supposed to arrange follow-up of the courses; inform the Ministry of the local trade; advise the loan applicants, pass on information of interest to the traders. They rarely do this. None of the respondents had even been visited by any of the Trade Officers except when they go to check on price control violations. The traders

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\* Harper, M. WORKING PAPER NO. 136 1974 (I.D.S.) Pg 3

complained that instead of helping them the Trade Officers harassed them and accused them of corruption, favouritism and self-interest in allocating best business to themselves or their friends. However, in 1972, 14 such courses were organised 12 of them were 1 week long and 3 were at provincial level. The average attendance was 45 traders per course although they were free.

The other source of Training for businessmen is the Management Training and Advisory Centre which was started in 1966. In 1972 this centre organised 9 courses and the average attendance was 27 people in Nairobi and 75 in Nyeri. In 1973 26 courses were organised. They charged Shs.50/- per week because of the maintenance cost.

The Extra-Mural Department of the University of Nairobi and its Institute of Adult Studies organise trader courses with conjunction to the Ministry of Commerce. In December 1974 and February 1975 the Extra-Mural and Nairobi Provincial Trade Office organised traders seminars. The average attendance was 40 per course and the traders were later given attendance certificates. At the end of the course the author interviewed traders. 35 out of 40 claimed that they had not gained anything of much business help. They had however, attended particularly because the Provincial Trade Officer himself was present and they found it necessary to be noted that they attended the courses. It was a place of contact. Their main complaint here was 'loan' and competition. They

considered business know how as only of secondary importance being submerged by 'loan availability'. This reflected on their lack of knowledge on the attributes to a successful businessman because

"....providing a loan to a small-scale businessman who does not have the necessary technical or business skills to make good use of it is in fact doing him a considerable disservice".\*

Long time courses are not possible because the trader's absence from business is not helpful. Short time training of business skills helps the long-run not the short-run problem. School leavers who would be best fitted to formal courses have no money to go into business. These classroom courses present the problem because those who give them are used to academic type of teaching and they give them to people who left schooling long ago.

The highly recommended training method is the EXTENSION SERVICE. This is a method in which the officer goes out to the trader identifies the problem of the business and advises him in the place of business. The trader is advised on arrangement, customer relations, the people to employ and such other aspects of business life. This method has been recommended by ILO Report; Working Party, and Harper; The Working Party states that:



"Classroom lecturers, Seminars etc are not very useful training techniques."

Training should be the extension service manned by the business analysts and their knowledge and personal contact with an individual's business problems may be the only level of service required. It further recommends the co-ordination of credit, training research and extension programmes within a small business Development Agency.\*

The working party further suggests that:

- (a) The best approach in providing assistance to small businessmen is to provide advisory service on the basis of a proper analysis of individual needs.
- (b) The needs of small businessmen are so similar that there is no need to establish separate field advisory services for small traders and industrialists.

In spite of the many emphasis on this type of training its problems are prohibitive. One of them is lack of personnel. The other is that the various businesses may have different problems that officers may be unable to cope up with the duties. But this extension service has even done at locational levels where some agricultural & Veterinary officers go to the field advising farmers. We could also have

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\* This has been projected in DEV. PLAN 1974/78

middle level staff (maybe educated to form four, then trained) stationed at every location. They should have nothing to do with the licences or prices and they should go about instructing the traders, they should educate show them that loans are not success.

The Government has noted this problem and indicated its willingness to establish.

"Small Business Development Corporations under whose auspices it is planned to establish a small business development centre at each district headquarter. The centres will serve as focal points for advisory services to be given to businessmen openly in trading centres and market places in the district. The staff attached to the centre will essentially consist of a team of business advisers..."\* \*

The realization of this problem very much reflects on the traders view that finance is the major obstacle facing them. Instead of it being a major obstacle we can say that its seriousness is more vivid when viewed with reference to the other problems. Lack of the skills mean that even the meagre capital available is mismanaged. Besides the expansion of the establishment is hindered because of lack of foresight and breadth

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\*\* See Development Plan 1974/78: Pg 3/5.

of creative mind. There is also a degree of estrangement between the trader and the officials. The officials, do not acknowledge their duty of training these people in earnest. The traders are afraid of approaching them. To the trader the officials are of a different class of people - educated, sophisticated, with power to say yes and no - and have to be approached rather humbly.

In these methods of costing, pricing and book keeping the traders showed great diversity. Some kept only one book recording all items; there were yet others who kept three books separating purchases (stock); cash in and out, and bankings and sales. There were some firms (25%) which did not have current accounts in the banks. They could withdraw money only once a week. This made it almost impossible to get quick overdrafts or giving their suppliers checks (post-dated) when they were short of money. It also demanded that they had to withdraw a lot of money every once a week or they had to spend the money collected from the business without first depositing it. This holding of a lot of cash is dangerous and creates a part of the problems they call 'lack of finance'. These are the types of the advice required by most profitable and the easiest methods of holding money. In their consideration of pricing and profit margins, their methods varied from strict calculations to loose methods of adding any figure they thought (say 15/2). The Asians carried on strict

pricing system. They calculated all the costs involved in getting the stock.<sup>\*U</sup> They also allocated some overhead costs to the products or loads. In a way they are able to make a nearly accurate approximation of the price the item should cost. They then allow for a profit margin and a bargain margin. They will make a trader have a rough idea of the way his business is going. However, only 10 African traders operated in a method nearer to this one. These were the ones who had at some time or another worked with the Asians.

The nature of the problem of lack of skills facing the African traders is such that they can best be learnt by doing. It is with this in mind that the I.L.O. Commission recommended that 'consideration should be given to the possibility of having new Kenyan traders trained by non-citizens whose business are likely to be taken over, in return for some compensation to the non-citizens in the form of a training subsidy.<sup>\*\*</sup>

A typical trader seems to face the problems of:

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\*U Strange enough some Asians included any tips, bribes, or kickbacks they had given in getting the supply

\*\* I.L.O. Report ibid Pg. 207

- (i) Not knowing where or how to apply for financial or other assistance; always resulting in financial problems.
- (ii) A disregard and lack of knowledge of basic techniques in business - for example, managerial and accounting principles.
- (iii) Lack of knowledge of the nature and timing of credit required - either credit is received at the wrong time or is misused or mishandled.
- (iv) Lack of understanding of the marketing techniques involved in the type of trade being operated.
- (v) Lack of proper management of working capital - there is either overstocking of some one item or complete lack of the item being demanded. Most of these firms have the working capital as the major component of their assets. In some cases up to 90% is working capital.\*
- (vi) Lack of creativity and relying too much on the Government or on the suppliers. Some have no choice of the items they stock. They merely take what the supplier offers them.

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\* See the Author's paper. NGOTHO KARIUKI: Management of Working Capital (1975) Faculty of Commerce Library.

This means that an approach to training should be multivariied and in a way of conclusion the Working Party recommended that:

"More credit, more technical and managerial training, more research done on the needs and problems of the small businessmen and more extension service of on-going nature must be provided.

"... it is necessary for these services to be closely coordinated and tailored to the needs of individual entrepreneur. Each small businessman needs credit, training and advice in proportions which are unique to his enterprise. There is an element of complementarity that should not be lost sight of. Credit without training can be relatively ineffective, training without some market or business feasibility information may be wasteful."\*\*

It is of critical importance that the problem of business be viewed in this totality but not isolating a single one and attempting to solve it with disregard to the others. This could mislead, for only after attempting to solve one does their nature of intertwining become apparent.

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\*\* WORKING PARTY REPORT

ibid Pg 12

### 10:3 THE ROLE OF NATIONAL CHAMBER OF COMERCE

The National Chamber of Commerce is a voluntary organisation founded in 1965, for the businessmen in Kenya. The entry fees ranges from 600/- for individuals. The main job of the Chamber is to liaise with the Government bodies in trying to help the businessmen of all races. Only recently did the Chamber start training the businessmen. Its courses are short two to three day seminars. They discuss simple book-keeping; management techniques; the role of some public officers.

This body however has concentrated on the role of politicians. It has been engaging in pressurising the Government to get more and more shops to the hands of WANANCHI. It has ignored the role of seeing to it that the new traders are well settled in their businesses. Should it be well organised the chamber could play an even greater role.

The entry fee should be reduced and be made free for the small traders. It should be able to enlist a large membership not the present one of about 2,000 members.

All businessmen could registrar with the chamber and because it is not a Government body they could speak more freely of their problems. It is has any intention of being a meaningful body that can be counted on by the African businessmen then it should engage in more training and research on the problems of African businessmen.

CHAPTER 11

OTHER GENERAL PROBLEMS: \* 1

The problems discussed below were observed as the surveying was carried on. They were rather incidental than sought.

11:1

Generally the Africans did not insure their firms only 2 out of 160 had any insurance for their businesses. These were against fire and theft. 30 out of 40 Asians had insured their businesses. The Africans mistrusted these insurances which are virtually ran by foreigners and with their experiences with motor insurances they were not eager to think of any other form of insurance. Some did not even know that it was possible to insure their stock

11:2 Alcoholism seems to have taken root in our society. As such it would be unfair when discussing it to make it seem like the businessmen are any greater victims of this social ill, than the other members of the society. But it would be important to mention that a good number of the businessmen surveyed accepted that one could not avoid being indulgent. Drinking was the greatest obstacle in this category of socialization process. Those who were frank argued that it was a necessary evil in that most of the people (Officials especially) sought would be found in these places. Alternatively it was necessary to take them 'out' for drinks once in a while. Asians, too,



who previously were a closed community had started indulging in leisure living. One reason for this is that they have plenty of money and mostly the young members of their community, like all the young people of other communities, have rebelled against the traditions. Besides if the 'African Officials' are early to get in the bars or if they can be influenced in here it appears that an Asian has to go and seek him.

Ostentatious living is the other type of social problem found among the traders as any other group of people. Because of the 'demonstration effect' there is a trend of buying expensive (luxurious) items - Volvos, Mercedes, large houses etc. The way this could affect a business is in draining its profits. Once the profits start going to the maintenance of expensive cars then it is hard to expand a business to its maximum capacity. Of course the profits could be large, but ploughing them back may even produce greater profits. There is this lack of capitalistic zeal of expansion and ascetic living in the formative stages. The government has spent much money promoting these people at the expense of the rest of the society it is necessary, therefore, to make good 'capitalists' of them so that they could aim at the possible maximum attainable profits for their firms instead of consuming the little that come by. Their peers in profit making should be their

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\*1 These are best illustrated in the supplementary tables in the appendix.

predecessors instead of looking at the country trader for comparison.

11:3

There is a generally frustrated feeling among the African traders. They feel 'caged'. They seem frustrated both from the banks, by customers, by Asian competitors. This feeling was there right through the interview and they did not seem satisfied with what the Government had done for them. Their argument was that the Asian Citizens are having it better now than in the old days. They had been left at a greater advantage as compared to the Africans. They felt that the Asians were doing their best to stay at the top and with the help of some 'big people'. The chronic lack of supplies is blamed on the Asians and as such there are ill-feelings towards the traders of other races. This left the question of the future of Asians in this country in balance. Even though non-citizen Asian had gone the African felt that it was not enough. Whereas the Asians argued that their hard work alone and patience had made them rich the African felt that 'cheating and exploiting' had made them rich. They blamed these two aspects of the Asian Trader yet they too, engaged in them to make more money. The Asian exclusiveness and community-mindedness was rapped by Africans as a way of keeping to themselves so as to get rich alone. There is very little interaction between the two groups and as such hate, suspicion and mistrust exists. Again most them feel that the Government should step in and 'force the Asians to co-operate'.

They did (could) not elaborate on the methods of forcing co-operation. They expressed approval of 'Amin-style' in Uganda.

11:4 Tribal antagonism was not as great as could be exaggerated. There was a feeling that the Gikuyus have had too large a share however, there was a general acceptance that they are more business - oriented than most other tribes. That however, does not allow for the allocation of loans to them in greater proportions than members of the other tribes. Where necessary those other tribes should be helped to come up in business world. Tribalism did not appear to be a great handicap in the relationship between the various businessmen. Those united against the common enemy - the Asians. Tribalism was cited by those who failed to get businesses allocated to them.

11:5 Hoarding: This was another problem among the traders generally. This especially occurred in the provisions and eatables. The traders hoarded goods in anticipation of higher prices, otherwise, when there was a reported shortage of goods the traders would exercise discriminative selling. This frustrated and annoyed the customers. It reflected generally on the mercenary altitude adopted by some traders who do not have the marketing concept of customer-satisfaction at heart. It also reflects on the unpatriotic, anti-national and selfish altitude in their money-making. In certain cases it reflected on the lack of business morals. Hoarding could be a world-wide phenomena by businessmen, but selling a packet of sugar, rice or milk to one customer while another one watches and fails

to get one is very depressing. This feature was witnessed by the author in several cases. The traders concerned did not seem to be bothered about it as long as it brought extra 10<sup>3</sup>/<sub>4</sub> cents. They did not bother about maintaining good relations with the customer who did not get the product required.

11:6 . The African traders faced the other problem of educated rather snobbish Africans. In their clientele the traders did not have many educated Africans, Africans, Asians or Europeans. The educated Africans were considered snobbish by the traders in that they tended to buy from the traders of Asian or European origin instead of buying from 'their own people'. They (traders) felt that it was their people who were letting them down by clinging to colonial hang-ups of not trusting African traders. One trader stated that they had to inflate their prices because most of African customers feel that the more expensive the item the more prestigious and this is why they go to Asians and Europeans. The presence of the Asians and European traders frustrated the African traders even more because of this attitude of African customers. This observation is strengthened by the continued division of our large towns into low - medium - high -class regions. In Nairobi for example River Road and Ngala Street are regarded as low (African) shopping centres whereas Kenyatta Avenue, Kimathi Street etc are regarded as upper class areas. The price differentials, congestion, tidiness of these region is indicative of the division. The very fact that shopping can be conducted in 'English' in the 'upper class' region

and only in Swahili or Vernacular in the low class regions is another important observation.

While the traders complain of this snobbish behaviour of some customers the latter complain of the availability of some items. A cross-section of customers were surveyed and they stated that the quality of goods differed in the two regions; and the availability of goods was another aspect. It was found that it would require moving from one shop to another before certain items were traced in the 'lower-class' regions. These were the items that are not generally used by low income groups.

11:7 Education: is another of the problems inhibiting progress of our businessmen. A good number of them had posters inscribed 'SALE'. This method was copied from Asians who have a system of having 'eternal sale' in their price tags. This becomes even more mistreating to customers when they compare 'sale' 'give-away price' 'reduced price' with the normal prices. The former are at times higher even though they are supposed to be reduced.

11:8. Smartness: A customer needs to be attracted to a business before he decides to go in. This was a feature few of the Africans take care of. Their places of business lack in certain standards (at times even hygienic). Because they do not own the premises, and because they lack the money their places of business are not well painted. It is also apparent

that the verandahs and even some street of the towns are not well kept - be it the duty of the Municipal Council or the trader, the customers will not bother to know whose duty, they will be interested in places they feel attracted not only is the smartness of the place required, but even that of the trader himself. In some business where the shop attendants have uniform it is easy for a customer to know who to ask for help otherwise he might approach another customer. Some traders fail to keep themselves presentable either in manner or in dressing. Some other habits like having lunch on the same counter that he is selling; attending to the customer while eating or drinking are discouraging to the customers. If nothing else an inner room could be used for these activities and the outer space be left for contact between him and the customers.

CHAPTER 12;  
SUMMARY & CONCLUSIONS

Introduction:

The analysis has looked into the situation facing the African businessmen at present. A historical evolution of business in Kenya has also been done to indicate how the African came to be in the periphery of the economic life. Suggestions have been offered whenever the problems have been discussed and the conclusions that follow are therefore of general nature in order to have an overview of the whole of Africanisation process.

12:1 The Policy:

It has been noted that the Africanisation process has only been able to put the African at the tail of the economic sector - the retail trade, Manufacturing, to large extent wholesale and distribution; and export - import trade; are still in the hands of foreigners and a few Africans. Much of national resources have been spent in making this process possible, but it is my observation that much more remains to be done; if meaningful realization of the effort is to be expected. Africanisation has dominated the Ministry of Commerce and Industry, in the last four years, so much that the 60,000 or so rural traders, who in any case would produce true, self-made entrepreneurs have been ignored. This has been necessary for political expediency but the results of the effort have not been very encouraging. The Ministry and the Government should (by now)

have noted that the backbone of a country's economy lies in the Industry but not in the retail trader. The retailer deals with what has, been produced and has no control (albeit indirect influence) of what goes into the market. Industry in Kenya is largely foreign-owned and as such its assistance in indigeneousation of the Commercial sector could be highly questionable, though not disregarded. Industrialization <sup>(Should</sup> of the <sup>be a priority to go side by side with Africanisation)</sup> retail trade with a deliberate effort to encourage the richer Africans to go into industry leaving the poorer in retail. A prolonged delay in total Africanisation in trade followed by that of simple industries is detrimental to the development of African industrialists. Replacement of Asians by Africans has taken too long and too much time that it has tended to retard initiative and self-drive from the Africans.

It should be cautioned here that this nature of Africanisation without a check on the diverging business interests is dangerous and contrary to the spirit of creating 'genuine African Traders'. First it does not train the owners of these concerns to become developed intrepeneurs, because they do not deal with the day-to-day management of the concern. Secondly, it does not train the shop assistants either because the owners are afraid to employ them as full-time managers with full control of business and decision making. Third it does not offer a chance for the expansion of the businesses available and utilisation of maximum capacity. In most concerns observed there is a lot of excess capacity which could be utilized



instead of dividing the efforts and time to another concern. Apparently, the traders did not calculate the return they would get from the other business as opposed to an expansion of the same concern held. During the time of allocation a 'one-man one business' policy should be looked at. But most officials are opposed to this type of policy because they feel that they cannot prevent those with money from investing in whatever lines they thought were necessary. But the observation of these officials can only be accepted with some reservations. In a society like ours which is in its transitional and formative stage there has been a lot of talk about egalitarianism. This if effectively implemented will prevent those with money from 'grabbing' all the businesses and running none of them properly hence to the detriment of the customers. In the earlier years the monopoly was with one community working through a 'cartel' system to exclude the other races. Is the policy to allow the passing of this cartel to another group of people and worse still who are not doing as good a job as their predecessors? Whereas it would not be proper to talk of equality it is necessary that for the sake of themselves and the economy there should be control over the businesses that one trader can have through the Africanisation policy.

It is also important for an African trader to realize that businesses cannot be ran as part-time activity for any serious businessman and expect any profitable returns.

This has occurred because as long as there are some Asians to be expelled those (Africans) who can start their own businesses will falter hoping that they might be lucky after the next group quits. Enterprising African businessmen, who are not dependent on quit-notices, who are innovative, creative imaginative and risk-taking should, by now have started to emerge in Kenya. The continued quit notices have tended to undermine self-confidence in those Africans who could start on their own and use their potential talent instead of waiting for the 'gold rush'.

All that this suggests, and was evident in the survey, is that a total wholesale Africanisation of both distributive sector and retail trade should by now be complete and is apparently long overdue. In fact 90%\* of the African traders interviewed supported the mass - quit - notices in a Ugandan Amin-style of de-Asianisation. 100% of Asians opposed it. The argument for the support of Amin-style is that once all the non-citizens go then those left trading have to compete only against themselves and those who do not get businesses can now start from scratch without waiting for a future quit notices.

It is rather difficult to think of an Africanisation process of Commerce without touching on the financial institutions. These should be Africanised together with the other sectors in order to be sympathetic to the Government policy of Africanisation. As long as the banks are foreign controlled then

\* Also see Parliamentary Debates. Feb 1974

the African businessmen will always complain of lack of good attention. This means that a more realistically radical approach should be instituted to look into all the aspect of the economy that go hand in hand with commerce and be Africanised. A country fighting for economic independence looks into the financial institutions and industry because these are the key sectors.

Africanisation for the sake of 'blackanisation' is worse than a no - Africanisation at all. The process should not end once a black person stands behind the counter but should be aimed at expansion and growth of trade as the economy grows. This calls for the trade officers nationalist duty of allocating shops to those who will be tradesmen, but not to 'telephone businessmen'.

The Government should consider helping the informal sectors as another source of entrepreneurs and employment. The services such as 'repair and maintenance' should be Africanised together with the retail trade in order to diversify the areas in which the Africans can excell. It is also a good recommendation that any change of line of trade should be rejected and a move towards reduction of bars and lodgings be made in order to use those buildings for expanding trade. Africanisation has resulted in reduction of the items available to the customers and this has been because of this relaxed attitude towards the traders who want to make 'easy-money'. The municipal authorities should be given powers

and<sup>be</sup> compelled to draw up plans for market places before commercial shops are operated in them.

The parastatal bodies I.O.D.C. and K.N.T.C. do not seem to be serving the purposes for which they have created. Their re-organisation with special emphasis to helping the poorer traders, but not the already established. This type of development only help creating conflicts and in effect defeats the very policy it is supposed to promote.

#### 12:2 Asians and Community Relations:

The Asian business community has remained a closed society even after 11 years of Independence. It is recommended that in future the relationship between the Asians and the Africans will be determined by the degree the Asians open their communities. If they seriously consider a future in this country they have no alternative except cultivating good relationships with the Africans. Before Independence the closed nature of their community was relevant to keep them tied up and helping one another in the sector they dominated. This relevance of maintaining this attitude now and in future is highly questionable.

All this helps in doing is creating suspicion and conflicts. With the Uganda experience fresh in their minds the Asians in Kenya ought to have learnt by now that the future is the one that matters. I recommend they establish permanent friendships with the Africans and also they should genuinely help Africans

come up, otherwise, should the relations strain further as years pass by the government will have to stoop to the clamour by Africans. This clamour is not in favour of the Asians and they will start to suffer and to lose what they tend to guard. A nationalistic approach to their activities should be established and they should participate in all aspects of Kenya public life. Their overzealous concentration in trade alone makes the African suspicious and doubt the depth of their relevance to Kenya society. Intermarriage where necessary could be encouraged in order to reflect a true multiracial society based on equality not superior - inferior relationship.

I will further caution that all the initiative should not be expected to emanate from the Asians. Once they open their societies to the other members of the society the rest have an obligation to accept them without discrimination and create a society where traders of all races can work side by side.

### 12:3 The Africans:

It is noted with some satisfaction that their response to participation in trade has been encouraging. It is here recommended that they should now think of going to more challenging lines of business. The Africans should come out of the 'colonial shell' and be more aggressive in their approach to the problems facing them. Government can only do very little. The major work remains with the traders themselves who alone will know the problems facing them.

will know the problems facing them. They should not despair too early but should be willing to accept both the benefits and costs of being in business. They are further recommended to think more seriously about their national problems and become nationalistic 'capitalists' because they are being promoted by public funds at a lot of cost. They should look into business as a full time occupation but not as a part-time job. They are cautioned that should they fail to be alert, aggressive, and self-critical they will sink again and get swallowed by the more established Asian traders before too long.

They should consider partnerships as a source of capital and learn to co-operate <sup>with</sup> the more experienced people who can help them in their business endeavours. It is the time they become less dependent on the Government and reduce their despondent state of affairs by exposing the malpractices of the foreign-controlled financial institutions and creating public pressure for their sympathy.

The African trader should be courageous and ready to face many disappointments in the business world. Success does not come over night and there is no short-cut to business success except patience, hard work and proper organisation. The illusion of lack of funds should not make a trader lose all the opportunities open to him. They should ponder the saying that: 'experience is the best teacher, but very costly; It is not expected to be any cheaper for them.

APPENDIX : ISECTION : ALAND TRANSFERRED TO AFRICAN USE UP TO 1968

TYPE OF USE	TOTAL AREA TRANSFERRED (THOUSANDS OF ACRES)	NUMBER 1 FARMS ESTABLISHED	AVERAGE SIZE OF ESTABLISHED (ACRES)
Subdivisional Settlements	1062	45900	23
High-density schemes	788	26700	30
Low-density schemes	188	5200	36
Squatter Settlements	86	14000	6
Large Farms	1245	1226	1015
Individually owned	954	1192	800
Operated by Co-operative Societies or the Department of Settlement	291	34	8560
All Types	2307	47126	49

1. Estimated

2. Approximate:

SOURCE: Republic of Kenya: Development plan for period  
1970 to 1974 (1969) table 2.2.

2.

PERCENTAGE OF AFRICANS IN THE TOTAL NUMBER OF EMPLOYEES  
IN THE FORMAL SECTOR EXCLUDING LARGE FARMS 1959 - 1969

	1959	1964	1969
PRIVATE SECTOR:	80	81	85
PUBLIC SECTOR:	87	92	95

SOURCE: Public service structure and Remuneration  
Commission 1970-71 (CHAIRMAN: D.N. NDEGWA):  
REPORT OF THE COMMISSION OF INQUIRY (NAIROBI,  
GOVERNMENT PRINTER, 1971), Pg. 29.



APPENDIX 3SCHEDULELICENCE FEES:K. Shs. P. a.

For a business on the occupation of wholesale  
trade 200

For a business carrying on the occupation of  
catering:

- a. In a general business area 50
- b. Elsewhere in the city or municipality or  
township 30
- c. Elsewhere 20

For a business carrying on the occupation of any  
other regulated trade or of produce dealer or  
produce broker

- a. In a general business area 100
- b. Elsewhere in the city or municipality or  
township 60
- c. Elsewhere 40

For a business carrying on any other occupation

SOURCE: TRADE LICENSING ACT, 1967

APPENDIX 4.

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SUBSIDIARY LEGISLATION (subsidiary)

Orders under section 2 -

THE TRADE LICENSING (DECLARATION OF  
OCCUPATIONS ORDER) L.N. 72/1970.

1. This Order may be cited as the Trade Licensing (Declaration of Occupations) Order.
2. The businesses specified in the Schedule of this Order are hereby declared to be occupations for the purposes of subsection (1) of section 2 of the Act.

SCHEDULE

- a. Goods transport agents
- b. Business of hotel and mote which provide accommodation as well as boarding and lodging.

Orders under section 3-

THE TRADE LICENSING (GENERAL BUSINESS AREAS) L.N. 88/1971.  
ORDER

1. This Order may be cited as the Trade Licensing (General Business Areas) Order.
2. For the purpose of Part 11 of the Act the areas specified in the first column of the Schedule hereto, except the parts thereof specified in relation thereto in the second column are hereby declared to be general business areas for the purpose of the Act.

SCHEDULE

Area	Excluded Parts of Area
<p>1. The area within Nairobi City surrounded by the following roads only-</p>	<p>a. The areas immediately adjoining both sides of the following roads - Koinge Street, Muindi Mbingu Street, Gulzaar Street, Njugu Lane Bazaar Street, Hussein Suleman Road, Market Street, Portal Street, and University way.</p>

- b. The areas known as Nairobi South 'g' Estate, Mbotela Estate, Doonholm 1 Estate, Maisha Estate, Makongeni Estate, and Kaloleni Estate respectively.

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Areas                      Schedule (Contd.)                      (Subsidiary)  
Excluded parts of area.

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2. Mombasa Island a. The areas surrounded by the following Roads:-  
White House Road, that part of Msanifu Komo Road between White House Road and Lumumba Road, Lumumba Road, Nazarali Street, Mwembe Tayari Road, Jomo Kenyatta Avenue, Salim Road, Abdul Nasser Road, Buxton Road and Tudor Road.

- b. The areas immediately adjoining both sides of the following roads:-

White House Road, that part of  
 Msanifu Kombo Road between  
 White House Road and Limimba Road,  
 Lumumba Road, Nazarali Street  
 Mwembe Tayari Road, Jomo Kenyatta  
 Avenue, that part of Salim Road  
 between Jomi Kenyatta Avenue and  
 Abdul Nasser Road, Abdul Nasser  
 Road, Buxton Road, Tudor Road  
 that part of Grant Avenue which is  
 on Tudor Estate, that part of Kwa  
 Shibu Road between Jomo Kenyatta  
 Avenue and Kilindini Road,  
 Makadara Road, Sir Ali Street and  
 Haile Selassie Road.

- c. The area known as Mwembe Tayari  
 Market which is surrounded by the  
 following roads:-

Jomo Kenyatta Avenue, Salim Road,  
 Haile Selassie Road and Kwa Shibu  
 Road.

3. Nakuru Municipality a. The areas immediately adjoining  
 both sides of the following roads:-  
 Ibrahim Road, Nehru Road, Bondeni  
 Road, Market Road, Harris Singh and  
 Cinema Road.

- b. The areas known as Ibrahim  
 and Rahemtulla Estate,  
 Nakuru South Estate, Shauri  
 Yako Estate, Kivumbini  
 Estate respectively.
4. Kisumu Municipality
- a. The areas immediately  
 adjoining both sides of the  
 following roads:-  
 Accra Street, Otieno Oyoo  
 Street, Joshi Avenue,  
 Achieng Oneko Street, New  
 Station Road, that part of  
 Ondera Street which is East  
 of Paul Mboya Street and  
 Makasembo Street.
- b. The areas known as Kibuye  
 Estate, Makasembo Estate,  
 Ondiek Estate, Kaloleni Estate,  
 Lumumba Estate, Nyalenda  
 Estate, Omino Crescent and  
 pemba Tatu Estate surrounded  
 by the Nairobi Road, Otieno  
 Oyoo Street, Sailor's Close,  
 Karachi Road and Kakamega Road.
-

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## Schedule

Area

Excluded parts of areas

## 5. Eldoret

Municipality. a.

The areas immediately

adjoining both sides of

the following roads:-

That part of Uganda Road

which is West of Muliro

Street, Dharma Road, Kago

Street, India Street

Muliro Street, Elijah Cheruiyot

street, Nandi Road and Odinga

Street.

b. The areas generally known as

Shauri Yako Estate and

Kivumbuni Estate respectively.

## 6. Thika

Municipality a.

The areas immediately adjoining

both sides of the following roads:-

High Street, Uhuru Street, Bedford

Street, Cambridge Street, that

part of Kenyatta Avenue which is

East of Cambridge Street and Cross

Street.

Orders under section 4-

THE TRADE LICENSING (SPECIFIED GOODS) ORDER L.N. 12/1968  
L.N.193/1969

1. This Order may be cited as the Trade Licensing (Specified Goods) Order.
2. The goods shown in the Schedule hereto are hereby declared to be specified goods for the purposes of the Act.

SCEDULE

1. Maize and Maizemeal.
2. Sugar.
3. Charcoal.
4. Rice.
5. Fresh Vegetables of all descriptions.
6. Biscuits
7. Ghee and Ghee Products.
8. Cotton drills and twills of all types and colours (excluding made up articles).
9. Second-hand clothes.
10. Soap.
11. Sweets.
12. Matches.
13. Salt.
14. Khangas
15. Grey Cloth.
16. Cement (excluding special imported cement).



(Subsidiary)

17. Beans of all types, peas of all types, grams of all types and njahi of all types.
18. Potatoes.
19. Corrugated iron sheet, barbed wires and nails.
20. Cigarettes.
21. Kerosene.

THE TRADE LICENSING (SPECIFIED GOODS) ORDER L.N. 194/  
1969  
L.N. 262/  
1969

1. This Order may be cited as the Trade Licensing (specified Goods) Order.
2. The goods shown in the Schedule hereto are hereby declared to be specified goods for the purpose of the Act.

SCHEDULE.

1. Onion
2. Millet, Wimbi and Mtama.
3. Edible oils.
4. Meat - Fresh.
5. Milk - Fresh.
6. Groundnuts.
7. Tea leaves and coffee in tins, bottles and packets.
8. Soft drinks - Mineral waters.
9. Jaggery.

10. Detergents (of all types).
11. Dry cells.
12. Charcoal irons.
13. Sufurias.
14. Second-hand gunny bags.
15. Blankets.
16. Bulding line.
17. Galvanized plain fencing wire.
18. Bicycles and bicycle spare parts.
19. Hinges of all sizes (Brass and galvanized).
20. Screws (wood).
21. Metal beds.
22. Shovels, spades.
23. Jembes - Hoes and forks.
24. Axes
25. Pangas.
26. Padlocks.
27. Lanterns.
28. Torches.
29. Shoes of all types including sandals.
30. Metal doors and metal windows.
31. Sand paper and Emery paper and cloth.

15. Soap bars.

16. Shoe polish.

Exemptions under section 15-

THE TRADE LICENSING (SPECIFIED GOODS) ORDER L.N. 89/1971.

1. This Order may be cited as the Trade Licensing (specified goods) Order.
2. The goods shown in the Schedule hereto declared to be specified goods for the purpose of the Act.

SCHEDULE

1. Firewood.
2. Razor blades.
3. Toilet paper.
4. Household insecticides.
5. Rat traps.
6. Wheat flour
7. Bread.
8. Cocoa, Milo and Ovaltine - in tins, bottles and packets.
9. Whitewash.
10. Metal buckets.
11. Wall scrapers.
12. Putty scrapers.
13. Mattocks.
14. Picks.
15. Shoe laces.
16. Shoe polish.

Exemptions under section 18-

L.N. 11/968.

1. Any person carrying on the business of a charcoal licensed by any local authority.
2. Any person carrying on the business of a charcoal dealer not having business premises build of permanent materials.
3. Any person trading from an open market, stall or temporary premises.

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(1) Regulations under section 19-

(2) THE TRADE LICENSING (FORMS) REGULATIONS, LN. 9/1968

1. These Regulations may be cited as the Trade Licensing (forms) Regulations.
2. Prior to the appointed day all persons conducting businesses shall make application in Form A.1, Form A.2 and Form A.3 in the Schedule to these Regulations for a licence.
3. After the appointed day no person shall conduct any business unless he is in possession of a valid licence granted in the appropriate form in the Schedule to these Regulations.

APPENDIX 5.

Ministry of Commerce and  
Industry. Department of Trade  
and Supplies.  
P.O. Box 30430,  
NAIROBI.

APPLICATION TO ACQUIRE BUSINESS/ES FROM NON-CITIZENS  
TRADING LICENCES

- (1) Name/s of applicant/s in full.....
- (2) Postal Address, Box No.....  
Telephone No.....
- (3) Citizenship status of applicant/s proposed  
shareholders.....  
.....  
Kenyan.....  
Other (specify).....
- (4) If Kenyan state by.....  
Birth/registration (Reg. No.....)  
Naturalization  
State Kenya Passport No. if any.....
- (4) Present occupation of applicant/s.....  
Paid employment/Businessman/jobless.....  
Other (specify).....  
If in business state.....

- (7) Number of businesses.....
- Location of business/es.....
- Type of business.....
- State whether sole proprietor, shareholders,  
partner.....
- N.K.....
- Period in business.....

(5) Have you ever applied to acquire a shop  
previously?.....  
No/Yes

If yes, did you receive any shop?  
Yes/No.

If yes, state Name of business.

- Plot No .....
- Street.....
- Type of business.....
- Date of acquisition.....

(6) Type of business being applied for.....  
Hardware/Provision/Textile(Ready-made cloths or  
piece goods)  
Other (specify).....

- (10) Who will manage the business if allotted?
  - a. Applicant himself/herself.....
  - b. Applicant's wife/husband.....
  - c. Paid Manager.....

(7) Name of the specific business being applied for

.....

Name.....

Plot No.....

Street.....

Box No.....

(8) Do you own the premises in which the business you are applying for is situated?

NO/Yes.....

Street.....

(9) Where will you get finances to buy the business if allocated?

- a. Through savings or loan.
- b. If loan, specify where from I.C.D.C./Bank
- c. Other source (specify) .....
- d. State the exact amount of money you will raise from the above source/s.

Attach documentary evidence certifying that you will raise sufficient funds from the mentioned source/s to buy the business (e.g. bank statement letter from the financier, etc.) .....

(10) Who will manage the business if allocated?

- a. Applicant himself/herself.....
- b. Applicant's wife/husband.....
- c. Paid Manager.....

d. Applicant's relative.....

e. Other (specify).....

(11) Do you already know the outgoing non-citizen?

No/yes

If yes, for how long?.....

Have you known her/him/them

a. As your employer.....

b. During business transactions.....

c. As a partner in business.....

d. Other (specify).....

(12) Will you continue with the same line of

business if allocated?

Yes/No.

If no, please specify the new line of business

.....

(13) Any other information the applicants would

like to give in support of the application.....

.....

.....

.....

.....

Please attache another sheet if necessary

.....



## (14) Declaration

To the best of my knowledge and belief  
 the above information is correct and  
 true.

Signature.....

Applicant

Date.....19...

---

NB. On completion you should submit your application  
 to the Trade Officer.

APPENDIX 6ATRADERS' SEMINAR PROGRAMME FROM 16TH30TH DECEMBER 197416th December:

- 10.00 - 10.30 - Briefing and introduction of  
the Programme to the  
participants.
- 10.30 - 11.00 - Official opening by Dr. J.G. Kiano  
Minister for Commerce & Industry.
- 11.00 - 11.15 - Break
- 11.15 - 12.15 - Agency appointment and distribution  
of locally manufactured goods -  
lecture by Invited guest.
- 12.15 - 1.00 - Discussion - Distribution of Bata  
shoes.

17th December:

- 10.00 - 11.00 - Banks and the Businessman - lecture
- 11.00 - 11.30 - Discussion - Loans given by I.C.D.C.
- 11.30 - 11.45 - Break
- 11.45 - 12.30 - Inflation - causes, effects and  
remedies
- 12.30 - 1.30 - Discussion led by Invited guest.

18th December:

- 10.00 - 11.00 - Import & Export regulations and  
producers Lecture by invited  
guest.
- 11.00 - 11.30 - Importation and Distribution of  
sugar.
- 11.00 - 11.45 - Break
- 11.45 - 12.30 - Price fixing and stock display.
- 12.30 - 1.00 - Discussion led by invited guest.

19th December:

- 10.00 - 11.00 - Preparation of books of accounts  
and interpretation of Audits &  
Accounts.
- 11.00 - 11.30 - Discussion led by invited guest.
- 11.30 - 11.45 - Break
- 11.45 - 12.30 - Effective salesmanship -  
lecture
- 12.30 - 1.00 - Discussion led by invited guest.

20th December:

- 10.00 - 11.00 - Role of KNTC in Kenyanization of  
Commerce.
- 11.00 - 12.00 - Discussion by a K.N.T.C. Textile  
Agent
- 12.00 - 1.00 - Closing by invited guest.

	9 - 10.30	10.30 - 11.00	11.00 - 12.45		2.00 - 4.00
17.2.75 Monday	Briefing & Official Official opening at 10.00	B	Design & Fashion Trends	L	Importation, Documentation & Regulations.
18.2.75 Tuesday	Packing & Distribution		Role of Manufacturer's Representative		Role of clearing and forwarding agent.
19.2.75 Wednesday	Inflation and Textile Trade Price fixing	R		U	Price Control and Textile Trade.
20.2.75 Thursday	Role of K.N.T.C. in Textile Trade		Role of Chamber in Commerce		The Business of Blankets
21.2.75 Friday	Distribution of Locally Manufactured goods	E	Prints business	U	Visit to an Industry
22.2.75 Saturday	Business Games in Textile Trade		School Uniform		
24.2.75 Monday	Quality and Pricing Tenders for Government	A	Tailoring	C	Exportation - Case study in Textile Trade.
25.2.75 Tuesday	Quering theory and Textile Trade	K	Training of Salesmen		Textile for Tourists
26.2.75 Wednesday	Advertising Display and Promotion		Sales Tax and Textile Trade	H	Marketing of Cotton
27.2.75	Prints Business		Role of Trade Officer in Promotion		The Textile Industry
28.2.75 Friday	Import/Export Licensing		Closing at 12.00		

## APPENDIX

SECTION BILLUSTRATIVE SUMMARY: CASE STUDYAFRICANISATION OF BOOK TRADE

ESA - ICDC: The ICDC started the programme of participating in the large book selling firms in 1969/70. The corporation acquired 51% control of E.S.A. Bookshop hitherto the largest supplier of Educational material.

The up-country bookshop were taken over by Africans while the E.S.A. Ltd., supplied the initial expertise, stocking, accounting and management. They also started this process in the city centre where there were a couple of bookshops. This was also extended to the other main towns. The main criteria of any person taking over these bookshops was that they be literate and conversant with book-selling. The process considered not only black Kenyans but even the Asian citizens.

The services of the E.S.A. Ltd were later phased out and left the management of the new owner who had been trained on the job for over a year. This ensured smooth handing over and by the time the owner was left on his own he had learnt most of the business tactics. The main supplier, however, remained the head office in Nairobi.

The Text Book Centre: Took a different approach by having African directorships as early as 1963. They also had branches all over the country. They had their employees who they

trained for the shop -take-over. First these people worked in the Text-book Centre in Nairobi. Later they were transferred to the branches where they would take-over. A case in point at the time of writing is the MBAZI BOOKSHOP in Muranga.

reference to a particular organization in Kenya. The names and some variations have been greatly altered to avoid any resemblance to an organization the author might have visited, and although on the part of the reader to share recognition of the description will be both understanding and wrong. The situations described, however, are real to many small and middle-level organizations. It might be different for one particular organization to have all the problems expressed in this book. What the facts are true of many African traders in various. No apologies are made for this. To the extent that not any situations or suggestions to solutions are offered is to show how the real world of African trader is. To the extent that the author may seem sympathetic to the plight of these organizations is suggestive of the nature of the sympathy the African trader needs not a sympathy to hide the facts or to avoid his own illusion about his efforts and with his equipment and self-education; but a sympathy to know his problems and with his share of them, the part he plays in creating them and to extent to which he expects to be helped by the Government and the other bodies. An understanding, he needs to make his share of the resources being used to promote him and use to the opportunity out of such funds. The role he can play in nation-building through independent activities and a sense of social responsibility.

WEUSI CITIZEN TRADERS 9(1972)\*INTRODUCTION:

This case has been adopted from a real life situation but refers to a particular organisation in Kenya. The names and some situations have been greatly altered to avoid any resemblance to an organization the author might have visited. Any attempt on the part of the reader to claim recognition of the enterprise will be both misleading and wrong. The situations described, however, are real to many small and middle-level organisations. It might be difficult for one particular organisation to have all the problems expressed in our firm. That the facts are true of many African traders is obvious. No apologies are made for that. To the extent that not many situations or suggestions to solutions are offered is to show how the real world of African trader is. To the extent that the author may seem unsympathetic to the plight of this organisation is suggestive of the nature of the sympathy the African trader needs not a sympathy to blur the facts or to make him have illusion about his efforts and make him complacent and self-deluding; but a sympathy to know his problems and make him aware of them, the part he plays in creating them and to extent to which he expects to be helped by the Government and the other bodies. An understanding, he needs to make him aware of the resources being used to promote him and may be the opportunity cost of such funds. The role he can play in nation-building through employment creation and a sense of social responsibility.

This is a typical case which reflects on many 'black duka-wallas' who lean on the counters like their Asian predecessors, but some coming to a slow but painful realization that to fill their coffers the name is not all; A painful realization that the government of a young nation can do only so much and no more for any group of people given the scarcity of the resources and the diverse projects can only set "you" off and leave you out in the cold to face the realities of market mechanism but can never influence your clientele. A government can only commit some resources and at times has to do many jobs each one of them rather poorly, sketchy and incompletely for political expediency and for an effort to dish the fruits of Uhuru to all categories of people.

A decision to get an optimal combination of all these efforts in a Nation not well reknowned for indigeneous experts is problematic.

That what is usually the best decision in terms of political equity may be far off from the current decision requiring the more efficient decision making models. But faced with an illiterate and semi-illiterate population that assesses benefits in tangible terms and also in the short-run because of their incapacity to visualize the future, or rear to attempt to project ahead it would only seem feasible to do the will of the people.

That some governmental regulations become a constraint on the very policies it is trying to promote is less ironic and more



pathetic. It is more than anything else an inability rather than an unwillingness to have a comprehensive policy that covers all the areas of national life. The reason for this can only be haphazardly speculated-as a case of foresight of looking at a whole national economy in totality from a systems approach and then analysing the effects of the policies of some sub-systems on the other components. It is true that only by understanding the subsystems can one understand the whole system but before any attempt on the components is made an overall picture of the state of the whole ought to be known. This is relevant even in terms of political power structure in that while African traders themselves are a pressure group and therefore a power base (centre) that cannot be ignored, the customers are even more in number and do compose a considerable force only that they are not as cohesive as the traders. That some traders in effect would consider themselves consumers would not be misleading in that they have no power over price, supply and commodity selection. They buy what is supplied to them and the burden of persuading the customers to buy is left to them. The so called "vicious circle" not only affects the nations of the recently emancipated part of the world but also affect the aspiring African in every field.

The author writes of the traders in this corporation (partnership) as they were at the time of writing and leaves the question open as to what to do in such cases and how to do it. May be the traders more than we others will have the answer in the long-run.

May be they are willing to take the advice where offered depending on the quality and the purpose of the giver.

11.

#### HISTORY:

Weusi citizen traders was formerly known as Ran Shah and sons - General Merchants. This was founded some thirty years ago by Shah who had grown up in Kenya and worked in another general merchants shop in Mombasa. Shah R. was born in Kenya in 1920. His parents owned a provisions store in Mombasa having worked during the construction of the Kenya-Uganda Railway. He had basic primary education six years and then went to work in the fathers store. At the age of 18 his father died and he together with his mother and eight other children had to live for and out of the store; at the age of twenty he left the others in the store and sought employment with some general merchant who required a young man with that type of experience. The general merchant dealt with all the types of clothes and was a good tailor himself. Shah learnt tailoring in the shop and other small business tactics. He also learnt how to make 'good' profits in the clothes trade through careful and crafty bargaining. In measuring rolls of clothes he learnt the art of placing the scissors about a foot less the correct measurement while the customer still watched. In the next five years of war he did a lot of and had a chance to visit India for the first time. In India, although the war blared in that region

especially Burma and Ceylon, he got good contacts especially for silk or for 'imitated silk' so much demanded by the Indian women. He talked with some leading Indian merchants who wanted market in East Africa and who looked forward to more permanent trade once the war was over. Ran Shah got the idea of starting his own shop.

In 1945 he moved up from Mombasa to Nairobi and rented a shop from another Indian. He started what was then known as Ran Shah General Merchants. He was married but had no sons then (only two daughters). He had already trained his wife in tailoring and in the techniques of trade. His shop was situated in one of the busiest streets in Nairobi and soon he built a large and reliable clientele of both Asians and Africans. Because of calling his business 'General Merchants' he was able to get orders from the smaller traders and this boosted him. Right from the start he was able to stock goods worth Kenya shillings thirty thousand at that period. He sold both new and second-hand clothes. He fitted suits and dresses and at the same time he sold material. For the first four years it was only him and his wife who did all the tailoring, selling and house-work. Later on they were able to employ an African housekeeper who looked after the domestic chores while they bothered with business. Every evening Shah would close the shop and then go to the inner room when he counted the money and entered in a Cash Book the daily sale. He was also able to know the

various lengths of materials sold and from which rolls. At times he did not give any receipts because the customers did not require them and because receipts cost money. He had partitioned his shop and they served at the back of the main shop floor. They lived in the second storey and therefore there was no time wasted in walking from the place of work to their home. At the end of the month he would get assistance from his wife's sister who was in a school in Nairobi. It was generally very busy at the end of the months with the Asians women demanding the Saris and the Africans other clothes and mostly calico sheets. He charged cheaply for male shorts and shirts and could satisfy the customers very easily. He had devised a scheme by which he would have a lot of Khaki shorts ready made and once a customer was fitted he would go through his stock and get the ready-made. He would only make a few improvements and mend some hurried stitches and wrap it for the customers. The highest quality of Khaki demanded was 'stark Pot'.

After the war his business boomed again because he was able to import second-hand military 'Kabutis' from India. These were in high demand because those returning from the war had come wearing these heavy military coats which had become prestigious. These people had also saved some money and were able to buy other clothes for themselves and their wives. He also supplied calico sheets which had become fashionable to be worn by the "newly initiated Gikuyus".

All in all his business grew. While his sons grew he changed the name of the business and included the names of his boys who also worked in the shop after a few years of schooling. He bought a site next to this building and put up his own two storey building and was able to rent one partition out. Now he had bigger room and also employed four African tailors who permanently worked in the inner room. He also fitted suits of all kinds and became known for wedding suits.

Through the years his business grew. By the time of independence (1963) he had a large stock worth some ten million shillings and monthly turnover of over 300,000/- with independence came the need for more modern fashions and he kept adjusting to the demands. He increased his staff through pressure from the labour officers. However, the management of the firm was in the hands of the family. The wife infact employed some two young girls (Asians) as fashion designers and for advertising 'Saris'.

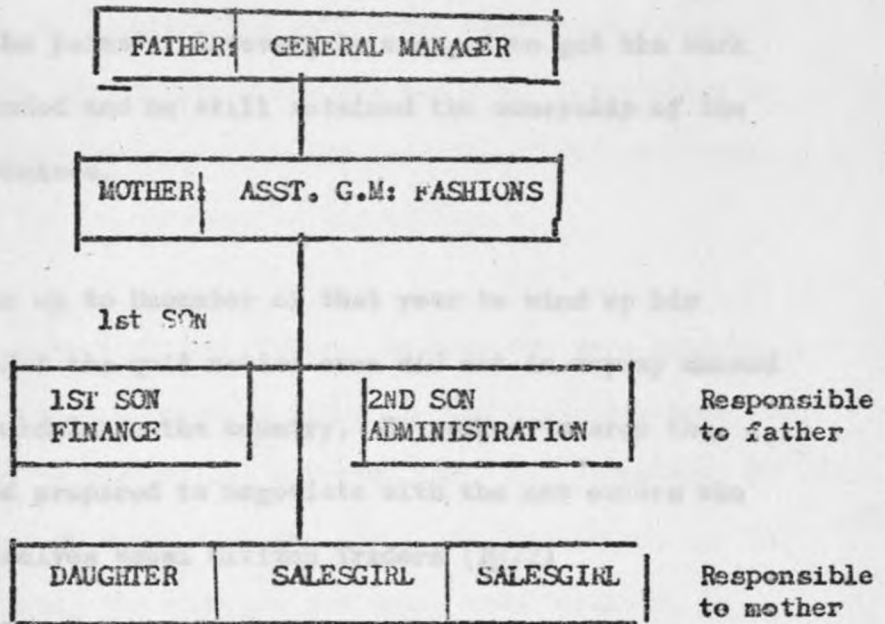
The financial position of the enterprise was sound. The relationship between the firm and the bank was fair and the business had an open overdraft allowance. It could get any overdraft not in excess of Shs.100,000/- per two months because of their reliance. All the financial matters were handled through the bank. Credit was extended only to the approved customers. Besides cheques would be accepted only from the

same category of people.

The chart below shows the organisation in 1967:

RAM SHAH GENERAL MERCHANTS:

ORGANISATIONAL CHART:



SOURCE: BOOKS OF THE FIRM

After the passing of Trade Licencing Act in 1967 the father tried a few methods. He invited an African politician to participate in business in order to protect him and for two years he did. Then he fell in 1969 elections and his influence withered. By now he had tried to secure citizenship status for his family to no avail. By 1969 the law regarding the business was sort of relaxed and he managed through the year.

However, in 1971 he was given a quit notice. Even though two of his sons were registered citizens. Having managed to secure

the status through the influence of young African friends, he had not altered their ownership to meet with the 51% required by the Act. At the same time some influential African traders had spotted the lucrative business and had their eyes on it. They wanted it. This made it difficult for Ran Shah to revoke the notice even after spending a substantial amount 'greasing the palms'. However, he managed to get the work permit extended and he still retained the ownership of the business premises.

He was given up to December of that year to wind up his business. But the quit notice even did not in anyway demand that he should leave the country. He worked towards the deadline and prepared to negotiate with the new owners who called themselves Weusi Citizen Traders (1972)

THE CHIEF OF WEUSI CITIZEN TRADERS (1972)

OWNERSHIP:

Citizen Traders is owned by three people of African origin as the name suggests. One of them John Kamau is 50 years old and a veteran ~~K~~ politician. Besides business he attends to another farm he jointly owns with other ex-freedom fighters. He was in the forest during the Mau Mau war. After Uhuru he went to private business. He started off with matatu vehicles and to this day he owns one in his village.

Gitenga is older (55) and richer. He owns two bars in town and infact drives a Mercedes Benz. By the time they acquired the business he was driving a Toyota car. He claims that it was his influence that got them the shop. In fact he too was in detention during the struggle for Uhuru and therefore, is influential. He contributed less than the others in the initial stages because of the "connections" he claimed. He has two wives and the young one looks after the bars.

Mwangi is the more educated of the three because he was a teacher before joining the business. He was neither in detention nor in the forest during the struggle and does not own any other businesses in the city. However he owns a big farm back home and this produces a lot of income for him. His wife stays at home looking after the shamba.



THE CURRENT SITUATION:

At the moment the business is faced with sons problems. By the time of take-over in 1972 January, there was very little stock. The Asian sold the fixtures and furnitures at an exorbitant rate. He also included goodwill (which by then was accepted). In fact he sold the business at Shs.200,000/- more than the book value. The partners were given the Shs.250,000/- they required by the I.C.D.C. They contributed the rest Shs.150,000/-. Kamau contributed Shs.60,000/- and Mwangi the same, but Gitonga contributed 30,000/- because of the connections he capitalized on. The loan they received was able to buy the business from the Asian, but there was need for stock.

Gitonga loaned the business Shs.50,000/- and they started off very well. They were able to stock the shop to capacity by the end of the year. They were given 12 months of grace before they started paying the loan. They devoted most of their time on the business during the first year. Banking was done the way the Asian had shown them. They had however to pay the loan of Shs.4,000/- per month to the Asian owner of the business.

A. PERSONNEL:

This has now become a problem to manage. Gitonga spends most of time in his bars or in the other businesses. However, one of his sons who finished and failed 'O' Level examination

is stationed at the business to represent his father's interest. For Kamau his wife and daughter (who finished 'O' Levels also) stay at the Weusi Traders. It has become difficult for Mwangi to excel any authority over these people. Of late Kamau has opened another business - of textiles - in another part of the town. He seems to be competing against their shop.

The last meeting they had to discuss the situation in the firm. Gitonga offered to buy the others off, at their original price. Mwangi rejected this categorically. As a result Gitonga's son has refused to adhere to the regulations of running the business. In spite of it the business still manages to meet the loan instalments. Mwangi is determined to set the business to the level he used to see when Shah was there.

There are two employees who infact receive orders from any of the "owners" and they are at the moment feeling frustrated because of the orders of these young children who do not seem to give them respect. they accord to their fathers. In fact their two employees have discussed this matter together and they are considering leaving by March of this year (1975) if no changes are made. There is one of them who has personally warned the wife of the boss that he can no longer continue receiving orders from a woman who is no better than his own wife. The woman was used to sending him around

to get small items or on small errands she can send her children.

She also makes food for herself and the daughter only. They do not give any to Mr. Mwangi or to Gitonga's son. However, Gitonga's son and Kamau's daughter have started going out together because the boy has a car bought by his father. He also eats and drinks freely at his father's bars. There is therefore no chain of command in this business. Mwangi had suggested that they all leave and employ a paid manager leaving them the supervisory roles only. The others rejected and argued that they could not trust any one else. He (Mwangi) is seriously thinking about the open alternatives. He feels that there is a deliberate move to frustrate his efforts in creating a financial empire.

#### FINANCE:

There is no longer strict internal control then though anyone who take the money from the counter is required to sign they do not always do so. Mwangi has started his own personal account to recoup his initial investment and to pay for his services. This has resulted in the increased demand by the other partner, that they share their income, after rent and loan instalments and interest every month. This to Mwangi is not the good thing because there is no chance to plough back profits or to replenish stock at the old levels under these inflationary conditions. There has been problems paying

some suppliers and they are reluctant to give any supply on credit. The bank manager has warned them that their financial management is not proper because they do not show a day to day operations and therefore, their credit worthiness would be hard to establish should there be another manager who is not their drinking colleague.

#### STOCK SUPPLY:

An estimate of the stock would show that they still have stock worth over Shs. 300,000/-. Unfortunately they have the stock that does not move fast. They get their supply of clothes from a manufacturer in Industrial Area. They are not aware of the fashion trends and usually buy what is supplied by the wholesaler. They have no tailors of their own like the Asian and have no contacts overseas. Anything from the overseas has to come through another wholesaler.

#### PRICING SYSTEM:

While their Asian predecessor did an accounting analysis in order to see the price they use 'lunch', they buy small quantities<sup>ti</sup> therefore the prices are generally higher than they ought to be. Again because of the bargaining they have no knowledge of setting the price range. They stick any price. Say if on average one shirt cost 50/- they would put a price tag of 90/- so as to have profits worth 40/-. This is then multiplied by the number of shirts bought to show the profit expected. This does not take anything like turnover into consideration.

CUSTOMER RELATIONS:

The customers have been dwindling due to the attitude in the business. The approach to the customers is not persuasive nor welcoming. The two youngsters there are mainly bothered about music. They have a radio-recorder and they are even discussing the latest hits. It has come to the notice of Mwangi and he has tried to warn them, but to no avail. He therefore finds it necessary to attend the customers personally. However he does not extend credit because of bad debts they incurred in their second year of operation worth Shs.20,000/-

EXTENSION:

Since the take-over they have extended lines of business. One corner of the shop now is stocked with provisions and groceries. This was decided because it was apparently profitable. They sell the daily needs and during the lunch break workers flock there for sodas, milk and cakes. This obstructs those who are interested in textile. One of the partners Mr. Gitonga is even suggesting that he can get a liquor licence which can enable them to have an off-licence allowing them to keep some beer in one corner. He argues that beer has lots of profit and does not require any advertisements.

COMPETITION

The other smaller shops surrounding Weusi Traders are owned by citizen Asians. These people carried the Asian clientele

which belonged to Shah. This was because the new Traders were not able to provide them with silken Saris for which Shah had established a good reputation. However, Shah has been able to open another shop in the area for general business where non-citizens can operate. It is growing and so lucrative that he has just started supplying the Weuse Traders some stock from abroad. This makes money because they have no contact.

RENT:

The rent has remained constant for the last three years. But now they are faced with another problem. The Asian owner of the building wants to sell it. The value of the house according to a firm of valuers in town is Shs.200,000/-. The Asian has indicated to them that he cannot sell the building for less than Shs.350,000. The building is on a site whose lease is 99 years as from 1900. To put up a new building like that one given that one has a site will be about Shs.450,000 (i.e. excluding the value of the site) Should they refuse to buy at the stated price Shah will sell to a prominent politician who they understand has shown a lot of interest. They also understand from close friends of this politician that he is willing to buy the building and then raise the rent to Shs.6,500/- per month. He literally hires thugs to send people out of his buildings in Eastleigh.

Gitonga has urged the others that they buy the building because he himself has interest in property. He has his own buildings at Eastleigh. He is willing to lend the firm the money to buy the building but must pay him back within two years all profits will go to him monthly until monthly until the loan is paid. Then after repayment he will control 50% of the ownership of the building. Mwangi has suggested they consult some financial expert but Gitonga considers himself one.

"I have been in property for too long to be deceived. Real property is the only thing to make monny with" He said.

He has also indicated that he will buy the building alone but will raise the rent to Shs.5,000/-. The last time I spoke to Mwangi they had not resolved this problem

MONY USED TO BE - INC. 1976

1. John Doo	Shs. 25.00
2. George Mwangi	* 60.00
3. W. Mwangi	* 100.00
4. John Mwangi	* 30.00
5. Alex Mwangi	* 25.00
6. Mr. & Mrs. Charles Mwangi	100.00
7. Messrs. Mwangi & Co.	200.00
8. Mwangi & Mwangi	* 60.00
9. Mwangi & Mwangi	* 30.00
10. (blank - see list below)	30.00

EXHIBIT 1

From their books I got these figures prepared by Mwangi:

A. INVESTED CAPITAL

Loan	Shs. 250,000/-
Kamau	" 60,000/-
Mwangi	" 60,000/-
Gitonga	" 30,000/-
(Gitonga connections)	30,000/-

B. AVERAGE MONTHLY EXPENSES

1. Rent	Shs. 4,000/-
2. Salaries	" 2,000/-
3. Water & Electricity	300/-
4. Watchman	Shs. 80/-, ½.
5. Telephones	" 100/-
6. Transport	" 2,500/-

C. MONEY OWED TO U.S. - DEC. 1974

1. John Kamau	Shs. 235.50
2. Onyango Furnitures	" 656.30
3. Mrs. Muiruri	" 1565.25
4. John Mwangi	" 352.20
5. Miss Gitonga	" 25.30
6. Mr. & Mrs Charles Tunges	1658.55
7. Messrs. Kariuki & Co."	2565.70
8. Kivuitu & Mutisa	" 658.35
9. Mutiso & Njoroge	" 38.60
10. (others - see list book)	365.85



E. MONEY OWED BY US: DEC. 1974

1. Shah & Patel Ltd.	Shs. 256.80
2. The general Merchants Ltd	" 6589.90
3. The New Garments	" 5683.35
4. The Tailors	" 653.25
5. The Outfitters	" 1234.65
6. Kimani Suppliers	" 358.75
7. The security people	" 358.75
8. Others (see Vouchers)	

EXHIBIT 2 (Prepared by Mwangi)BALANCE SHEET ON 31/12/1974LIABILITIES

Original Investment	150,000/-	Furniture & others	15,500/-
Loan I.C.D.C.	250,000/-	Stock (	405,740/-
Owed to suppliers	21,540/-	Accts. Receivable	6,550/-
Profit retained	10,650/-	Cash	4,400/-
	<u>432,190</u>		<u>432,190</u>

APPENDIX SECTION C  
( AUTHOR'S CALCULATIONS )

SUPPLIMENTARY TABLES:

Table 1: Stock held before & after Africanisation

STOCK B	BEFORE		AFTER	
	No of Firms	%	No.of firms	%
Below 50,000	0	-0-	44	29
50,000-100,000	30	19	39	25
100,000-300,000	58	37.5	35	20
300,000-500,000	35	20	25	16
500,000-700,000	25	16	15	9
700,000-1,000,000	5	3	2	1
1 - 2,000,000	4	2.5	0	0
more than 2,000,000	3	2	0	0
total	160	100	160	100

Table 2: MONTHLY TURNOVER

Turnover	BEFORE		AFTER	
	No. of firms	%	No. of firms	%
Below 10,000	15	9	56	35
10 - 30,000	46	29	40	25
30 - 60,000	48	30	39	24
60 - 100,000	26	16	25	16
100 - 200,000	15	9	-	
above 200,000	10	7	-	
	160	100	160	100

TABLE 4: ADVANCE RENT

MONTHS	NO. OF FIRMS	%
1 - 3	75	47.5
3 - 6	65	40
6 - 12	20	12.5
	160	100

TABLE 5: OWNERS CAPITAL INVESTED

10 - 20,000	44	29
20 - 30,000	35	20
30 - 40,000	38	24
40 - 50,000	21	13
More than 50,000	22	14
	160	100

TABLE 6. LOAN SOURCES:

I.C.D.C.	40	25
K.N.T.C. (Stock)	35	20
Commercial Banks	26	17
Other Govt. Bodies	29	19
Friends	14	9
Elsewhere	16	10
	160	100

TABLE 7 MEMBERSHIP IN ORGANISATIONS

	%
NONE	25
Chamber of Commerce	15
County Council or City Council	35
Any Committee	13
Tribal Unions	12
	100%

Total No. of Business 160

N.B. All claimed to be KANU Members:

TABLE 8: REASONS WHY ASINGS ARE MORE SUCCESSFUL.

	Africans	Asians
Hard Work	35	78
Cheating	62	35
Advantage	56	40
Collusion with suppliers	60	35
Ruthlessness	61	40
Imaginative	36	66
Experience	55	70
Closed community	65	35
Helping one another	42	40
Have money	78	50
Total No. of business	160	40

So:

	Answers by Firm	By nation
Lack of funds	3	35
NB: Percentage per question based on the total 160: 40 respondent.		55
Too much	20	40
High competition	26	30
Lack of contacts	18	15
Too many different interests	21	16
Insufficient	45	51
Family dependent	10	41
Poor employee	25	38
Drinking, women	10	57
Too many	5	55
Others	10	10
% of firms	100	40

22. The person could cite any reasons and therefore calculations of any questions are based on the total number of firms.

TABLE 9: REASONS WHY AFRICANS FAIL

	Answers by Africans	by Asians
Lack of funds	75	35
No experience	36	55
No supply	60	40
Asian competition	76	30
Laziness	38	65
Too many different interests	50	66
Impatience	45	58
Family dependants	60	45
Poor employee	55	35
Drinking, women	40	57
Bad debts	56	55
Others	40	40
NO. of Firms	160	40

NB. One person could cite many reasons and therefore calculations of any questions are based on the total number of firms.

TABLE NO. 10: AFRICAN - ASIAN PARTNERSHIPS.

Consisting Africa Partnership	65
Would never	14
Could if necessary (political)	12
Have partnership	4
& Had but broken	5
TOTAL	100
	40

TABLE NO. 11 EMPLOYEES: BREAKDOWN.

Employees	Firms Africans %	Firms Asians %
Africans	90	40
Asians	3	10
Europeans	1	1
Mixture	6	49
Total No. of respondents	160	40

TABLE NO. 12: AGE OF BUSINESS

No of years since business was started	Africans %	Asians %
Less than 5 years	65	-
5 - 10	30	25
10 - 20	5	50
Above 20	-	25
	100%	100%
Total No. of firms	160	40

TABLE NO. 13: HOW BEST CAN GOOD RACIAL RELATIONS BE HARMONIZED

	Africans %	Asians %
Government Ruling	45	15
Intermarriage	33	10
Sharing in Business	12	55
Friendly relations	10	20
	100	100
No. of Dependents	160	40



TABLE 14: BEST TRAINING FOR AFRICANS.

	Africans %	Asians %
Personal Contract in Business	45	35
Seminars & Course	15	12
Apprenticeship	22	45
Trial & Error	18	8
	100	100
No. of Firms	160	40

TABLE 15: MOST FREQUENT CUSTOMERS

	Africans	Asians
Educated Africans	25	45
(Common) Africans	65	35
Asians	7	15
Europeans	3	5
	100	100
Total	160	40

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